

[return to home page](#)

This Week You Need To Know

'Chickenhawk Down': The Real Target Is Iran

by Jeffrey Steinberg

In response to the James Baker III and Lee Hamilton-directed Iraq Study Group report, President Bush and Vice President Cheney turned to their chickenhawk allies at the American Enterprise Institute to craft a counter-plan, based on the fantasy premise that a "surge" of American troops could secure victory in Iraq before the next Presidential election in November 2008. On Dec. 14, AEI fellow Frederick Kagan released the Institute's utopian scheme, "Choosing Victory: A Plan for Success in Iraq Interim Report." The 52-page power-point presentation, delivered by Kagan at an AEI forum, argued, in effect, that a two-year "surge" of upwards of 50,000 additional U.S. combat soldiers into Baghdad and into the Sunni stronghold al-Anbar Province, would break the back of the resistance and bring peace and stability to Iraq. The AEI document outright rejected the idea at the heart of the Baker-Hamilton study: that the U.S. must negotiate directly with all of Iraq's neighbors, including Iran and Syria, and settle the Israel-Palestine conflict, if there is any hope of stabilizing Iraq and withdrawing the American forces—without having to shoot their way out of the country.

In fact, the Kagan scheme, according to sources familiar with the latest neo-con maneuverings, is premised on the creation of a Sunni bloc of "moderate" states, that will confront Iran and the Shi'ite "extremists" throughout the Persian Gulf and Eastern Mediterranean region—in a de facto alliance with Israel. Unspoken, but underlying the "Choosing Victory" plan, is the ludicrous idea that Saudi Arabia will cut off the flow of funds and weapons to the Sunni insurgents, thus hastening their defeat. The "Sunni bulwark" scheme, which was peddled to Saudi Arabia's King Abdullah by Vice President Cheney when he visited Riyadh in late November 2006, just before the release of the Baker-Hamilton report, is premised on an expansion of the Gulf Cooperation Council (GCC), to include Egypt and Jordan; and the buildup of a military alliance between the "GCC-Plus-Two" and NATO....

[...complete article, PDF](#)

InDepth Coverage

Links to articles from

[Executive Intelligence Review,](#)

[Vol. 34, No. 1](#)

**To navigate the content of the [entire issue](#),
please begin by clicking anywhere on [Page 1](#).**

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Feature:

YOUTH TO CONGRESS

Read Between the Votes: The Power of the 'New Politics'

by Michael Kirsch, LaRouche Youth Movement

Unfolding in the form of a landslide against the Republican incumbent of the 23rd Congressional District in Texas on Dec. 12, the quintessential predicate of the post-Nov. 7 transformation has put a magnifying glass to what Lyndon LaRouche illustrated on Nov. 26 as the 'New Politics.' The impact of a small number of strategically deployed young adults of the LaRouche Youth Movement (LYM) triggering the decisive margin of victory, was not a wild, political fluke deriving from the Nov. 7 midterm election, but a replicatable and knowable method of political organizing.

San Antonio Special Election

LaRouche's 'Mass Effect' Organizing Principle Confirmed

by Natalie Lovegren

The Dec. 12, 2006 run-off election in Texas's new 23rd Congressional District provides an elucidating example of the method that sparked what Lyndon LaRouche has called the 'New Politics.' The campaign waged by the LaRouche Youth Movement (LYM) was a physical experiment that catalyzed a landslide Democratic victory.

Tejano Dems Meet in San Antonio; The 'New Politics' Is Introduced

by Harley Schlanger

Three days before the Dec. 12 special run-off election for Texas's 23rd Congressional District seat, between underdog Democrat Ciro Rodriguez and Republican incumbent U.S. Rep. Henry Bonilla, the Tejano Democrats in San Antonio sponsored a panel on the theme, 'Which Direction for the Democratic Party?' The purpose of the event was to review the outcome of the Nov. 7 election in Texas, so that the Democrats might make the changes necessary to once again win statewide elective offices.

Rodriguez Victory Was Anti-Dean Landslide

The LaRouche Political Action Committee published this press release after the Dec. 12 upset victory by Democrat Ciro Rodriguez in the runoff election in Texas.

Dec. 13—

The victory by Democrat Ciro Rodriguez in the runoff election for the 23rd Congressional District of Texas on Dec. 12 was accomplished despite the efforts of DNC Chairman Howard Dean to sabotage the race, said Lyndon LaRouche, after being briefed on the outcome. Dean did everything possible to lose this election, by adopting a mechanical/statistical 'strategy' aimed at suppressing the vote, by appealing only to known voters, and acting to prevent Rodriguez from using campaign debates to clarify the crucial stakes in this special election.

LYM in Ohio: Interpretation vs. Reality

by Joe Smalley, LaRouche Youth Movement

Consider the maps and tables included on these pages, correlating them with the involvement of the LaRouche Youth Movement with the Nov. 7 midterm election results in the state of Ohio. Notice the substantial resultant differences in the highlighted locations, between 2002 and 2006, and consider the following series of questions: What created this observed, dramatic change? Many interpretations have surfaced since the elections on why the Democrats enjoyed a landslide victory, so, which interpretation ought you to believe?

Election 2006

The Inside Story Of Dean's Sabotage

by Debra Hanania-Freeman

When Senate Democrat Tim Johnson was rushed into emergency surgery on Dec. 13 to alleviate intercranial bleeding caused by a congenital defect, Democrats across the nation held their breaths. Prior to that day, many Democrats outside of his home state of South Dakota had never even heard of the centrist Democrat. But, the realization that he might not be unable to serve out the remaining two years of his term, highlighted the fragility of the Democrats' 51-49 lead in the Senate. The press wasted no time in speculating that, should Senator Johnson die, South Dakota's Republican Gov. Mike Rounds would likely name a Republican to succeed him; a move that would not only erase the Democrats' one-vote majority, but would also give Vice President Dick Cheney the decisive vote on critical issues.

Freshmen Dems Mean New Kind of Congress

by the LaRouche Youth Movement and EIR Staff

Since the surprising landslide victory of the Democratic Party in the Nov. 7 midterm elections, many Americans now want to know: 'What will the incoming Democratic Congress do as the Majority?' 'Will we get out of Iraq, and finally impeach those bums?!'

109th Congress Comes To an Unlamented End

by Carl Osgood

The 109th Congress finally stumbled to a conclusion in the wee hours of Saturday, Dec. 9, bringing to an end 12 years of Republican rule on Capitol Hill. During those 12 years, Republican control of the Congress often looked more like a one-party dictatorship, particularly under the leadership of disgraced former Speaker of the House Rep. Tom DeLay (R-Tex.), than it ever did any honest attempt to conduct the Constitutional responsibilities of the legislative branch.

Economics:

DOLLAR FACES EARLY COLLAPSE-THREAT

A Narrow Band of Decision

by Lyndon H. LaRouche, Jr.

December 15, 2006

So far, the prevailing mood in the U.S. Congress is a grimly hysterical, Chamberlainesque mood of wishful confidence, the wish-driven obsession with the hope that no great financial collapse will actually happen 'in our time.'

Growing 'Bubble Within' The Housing Bubble

by Richard Freeman

In the preceding report, Lyndon LaRouche focuses on the 'soaring mortgage bubble within the mortgage bubble.' The growth of this process is an incontestable marker that the U.S. mortgage bubble has reached a desperate stage of instability; the continued enlargement of the 'bubble within the bubble' would of necessity rupture itself and the larger \$17 trillion Greenspan mortgage bubble within which it is intimately situated. That would bring down the U.S. financial system.

2006 Buyout Wave Is Default Blowout of 2007

by Paul Gallagher

The fourth-quarter explosion of so-called 'leveraged buyouts' worldwide, accelerated wildly in the final weeks of the year, marked on Dec. 18 by the announcement of \$87 billion 'worth' of such buyouts, the fourth day in three months in which at least \$75 billion in leveraged takeovers was made public.

Why Indian Scientists Oppose the U.S.-India Nuclear Agreement

by Ramtanu Maitra

At a ceremony in the White House on Dec. 18, U.S. President George W. Bush signed the U.S.-India nuclear agreement, otherwise known as the Henry J. Hyde U.S.-India Peaceful Atomic Energy Cooperation Act. The bill would enable American nuclear transfers to India to take place in the future, following a 32-year moratorium. In India, however, the opposition to the bill remains strong within the scientific community, which believes that it would stymie India's indigenous and hard-earned thorium fuel-based nuclear program. As a result of their pointed arguments, the Manmohan Singh government has yielded to the parliamentary opposition's demand for a full discussion of the bill in India's Parliament.

110th Congress Health-Care Policy: End HMOs; Rebuild Hospitals

by Mary Jane Freeman

The 110th Congress must seize the initiative to restore the FDR legacy of accessible and affordable health care for all, by reestablishing the only valid metric for health-care investment: the cost in human lives lost if health care is denied. It is providing for the general welfare, a promise of the Constitution, that defines what must be the nation's priorities. To have a productive and growing economy, we need a healthy population. The costs of health care must be so framed.

Health Care Package:

Reverse Shortage of Doctors and Nurses

by Pat Salisbury

In what many consider an extraordinary turnaround, in the last few years, the major gate-keepers of the medical profession have been forced to acknowledge that the shortage in the supply of physicians in the United States has reached a crisis level.

Interview: Dr. Richard A. Cooper, M.D.

To Train More Doctors, Remove Residency Caps

Dr. Cooper is the former dean, executive vice president, and Health Policy Institute director of the Medical College of Wisconsin, and has been a professor of medicine and a senior fellow at the Leonard Davis Institute of Health Economics at the University of Pennsylvania, in Philadelphia, since 2005. Patricia Salisbury interviewed Dr. Cooper on Dec. 12, 2006.

The Case of New York

Rohatyn's Cronies Destroy Medical Care

by Patricia Salisbury

In a dramatic move Dec. 21, New York City Comptroller William C. Thompson, Jr. held a news conference on the impact of the proposed closures of New York City emergency room service. A plan to shut down nine hospitals in New York State and to reorganize 48 more, reducing the number of hospital beds in the state by over 4,200 and nursing home beds by 3,000, was scheduled to go into effect on Jan. 1, 2007. According to a report on New York public radio, Thompson told the media that the Berger Commission plan had looked too much at the economics of health care and not enough at the needs of communities.

An Immoral HMO Case in Virginia

This Dec. 17 leaflet, titled 'Health Insurance Companies Threaten Our Lives: Cut Their Profits, Not Hospital Care!' was widely circulated in Washington, D.C. and northern Virginia by the LaRouche Political Action Committee.

Science and Technology:

Confirmation That Mars Is a Changing Planet

An announcement of stunning new results from Mars on Dec. 6, 2006, indicates that water may be flowing on the surface of that planet today. Marsha Freeman reports.

In the minds of men, Mars has been changing throughout the ages, as the capability of scientific instruments advanced. When ground-based telescopes gave way to visiting spacecraft, the myth of intelligent beings on Mars disappeared, and new mysteries evolved. As the most Earth-like planet, Mars has held special interest, in that it is the most likely place in the Solar System that could have supported at least primitive life. So leaving aside little green men, or H.G. Wells' depressing creatures in *The War of the Worlds*, the question is posed: 'Was there life on Mars?'

International:

'Chickenhawk Down': The Real Target Is Iran

by Jeffrey Steinberg

In response to the James Baker III and Lee Hamilton-directed Iraq Study Group report, President Bush and Vice President Cheney turned to their chickenhawk allies at the American Enterprise Institute to craft a counter-plan, based on the fantasy premise that a 'surge' of American troops could secure victory in Iraq before the next Presidential election in November 2008.

Where Baker-Hamilton Stands

by Lyndon H. LaRouche, Jr.

December 22, 2006

Since the majority of the leading European press surveyed has promoted a falsified view of the current political situation inside the U.S.A., I report the following essential facts of the situation there. The framers of the Baker-Hamilton Commission's report have informed leading circles inside the U.S.A., that the report was composed on the basis of foreknowledge that both President George W. Bush, Jr. and Vice-President Dick Cheney, would reject those proposals, unless maximum public pressure from relevant circles would mobilize broad popular and other opinion to bring about the adoption of those proposals. The new U.S. Congress will not be seated until shortly after the beginning of the new calendar year. In the meantime, there is no doubt among well-informed circles inside the U.S.A., that Vice-President Dick Cheney is committed to a massive aerial attack on Iran at some time during the immediate few months ahead. Throughout the U.S., the opposition to the present war in Iraq has reached the level of a widespread demand for Cheney's early impeachment.

News From U.S. Brings New Hope for Germany

by Helga Zepp-LaRouche

The following is a translation of a mass leaflet now being circulated in Germany under the headline, 'New Year's Message from the Schiller Institute: Finally! Good News from the U.S.A.: New Hope for Germany.'

Mrs. Zepp-LaRouche is the chairwoman of the Schiller Institute in Germany.

Dear Citizens, The Democratic victory in the U.S. Congressional elections on Nov. 7 brings tidings of hope for Germany. The Democrats' landslide victory was due in large part to the massive increase in voter participation by young Americans aged 18 to 35. And this shift in attitude in a growing number of America's youth, has become a decisive factor in international policy-making and in America's foreign policy.

I Defend President Jimmy Carter

Lyndon H. LaRouche, Jr. comments on President Carter's new book, *Palestine: Peace, Not Apartheid*, and his broader foreign policy role.

I intervene to defend former President Jimmy Carter at this instant, for two reasons.

First, he is right on the issue of the title of his current book. What the Israelis and others are currently practicing against the Palestinians, is nothing differing in principle from a continuing practice of Apartheid. Every sane and intelligent political figure I know agrees with that in fact, but only a few of those politicians acting in the tradition of 'political animals,' are willing to be caught saying that publicly.

Bu"So Conference Offers New Leadership for Germany

by Rainer Apel and Bonnie James

The dramatic shift of political constellations in the United States, toward what Lyndon LaRouche has called the 'New Politics,' after the Nov. 7 midterm elections—in significant part brought about by the political 'mass effect' introduced by the LaRouche Youth Movement in mobilizing the youth vote for the Democrats—has not yet led to changed policies by the German establishment and its media. The German government, the political parties, the 'experts,' are still on autopilot, as if nothing had changed since Nov. 7. So far, the LaRouche movement in Germany and its political arm, the Bu"So (Civil Rights Movement Solidarity), have been the only ones to respond to the changed U.S. situation, reshaping the party to make it fit for the political struggles to come.

'New Politics' Comes to the Philippines, As Plan To Subvert Constitution Fails

by Mike Billington

A dramatic victory for the Philippine nation was achieved during the week of Dec. 10, when, under the threat of mass demonstrations from nearly all the institutions of the state, the government threw in the towel in its effort to implement a charter change ('cha-cha,' in popular usage, meaning a revision of the Constitution). But the real cause of the capitulation was in Washington—the fact that the government in Manila had suddenly lost its 'protection,' when the Bush/ Cheney team was delivered a solid defeat in the Nov. 7, 2006 U.S. elections. Suddenly, the would-be Emperor in Manila had no clothes.

Report from Iran: The Elections and The Economy Put Ahmadinejad on Notice

by Muriel Mirak-Weissbach

As the New Year opens, U.S. policy on Iran will be one of the items high on the agenda of both the Bush-Cheney war party, and those institutional forces committed to imposing a new, sane policy for the entire region, as indicated in the BakerHamilton report. To this end, a firsthand overview of developments in Iran should be useful.

- **Interview: Hossein Shariatmadari**

'The Sunni vs. Shi'ite Scheme Is Meaningless'

Hossein Shariatmadari is the Representative of the Supreme Leader of the Islamic Revolution, Ayatollah Ali Khamenei, and is president of the Kayhan Group of Newspapers and Publications. Kayhan is considered to reflect the views of the government. Muriel Mirak-

Weissbach interviewed him on Dec. 4, 2006, in his Tehran office. He spoke through an interpreter.

- **Interview: Mohammad Atrianfar**

Iran Under Hardliners: An Insider's View

Mohammad Atrianfar is a political activist and close aide to former Iranian President Hashemi Rafsanjani. He is the founder of three newspapers, Hamshahri, Kargozaran, and Sharq (the latter, recently closed). He was interviewed by Muriel Mirak-Weissbach in his Tehran office on Dec. 7, and spoke through an interpreter.

Report From France

by Christine Bierre

'End-of-Regime' Crisis Is Under Way Of all the 2007 Presidential candidates, only LaRouche's friend Jacques Cheminade offers a real alternative.

Cheney Is the Missing Link!

by Lyndon H. LaRouche, Jr.

The carefully composed, following report, by our Scott Thompson, is a chronology of the associated events surrounding the strange death of British intelligence officer Dr. David Kelly, in England, and the suicide of Jeremy Duggan, in Germany, all in the same short time-frame. This investigation has led investigators to the crucial connection of these deaths to the family circle of U.S. Vice-President Dick Cheney and his independently notorious wife Lynne Cheney.

- **Baroness Symons Of Vernham Dean**

by Scott Thompson and Jeffrey Steinberg

Elizabeth Symons, Baroness Symons of Vernham Dean (created Life Peer by nomination of Tony Blair in 1996), is a Senior Labour Peer, director of two companies, consultant to business, and a key figure in the Jeremiah Duggan transatlantic slander operation against Lyndon H. LaRouche, Jr., along with Mr. and Mrs. Dick Cheney. Here is an outline of the Baroness's career. ...

Montreal LYM Applies 'New Politics'

by Rob Ainsworth, LaRouche Youth Movement

The Liberal Party of Canada held its Federal leadership convention in Montreal, Quebec at the end of November and beginning of December, to elect a new leader and, or so many claimed, the 'next Prime Minister of Canada.' The Liberals enjoy vaunting themselves as the great nation-building party of Canada and a veritable force for goodness; however, the reality is something quite different. ...

Culture:

Political Revolution Requires Aesthetic Education of Man

by Helga Zepp-LaRouche

Helga Zepp-LaRouche, president of Germany's Civil Rights Solidarity Movement (Bu'So), gave the following speech on Nov. 18, to the annual congress of the Solidarity and Progress party in France, which is backing the Presidential candidacy of party president Jacques Cheminade. She spoke in English.

I think we are actually in a very good moment of history, because when Lyn [Lyndon LaRouche] said that it would be the youth who would be the revolutionary difference in bringing change in the world at this moment, I think this was just very powerfully demonstrated by the American part of the LaRouche Youth Movement.

Editorial:

The Old Economics Are Dead; The New Economics Must Begin

On Jan. 11, 2007, at 1:00 p.m. Eastern Standard Time, in the capital of the United States, Lyndon LaRouche is going to address the headlined theme above in an international webcast. With a new Congress, dominated by Democrats for the first time in 12 years, coming into town right after the first of the year, there is a sea-change in Washington, making it ripe for dramatic changes away from the economic and strategic policy which

has driven the United States into disaster, changes LaRouche has vigorously championed.

U.S. Economic/Financial News

Fourth-Largest Auto-Parts Maker To Auction Off Assets

The bankrupt Collins & Aikman auto-parts maker filed a revised plan on Dec. 22 to exit from court protection, and instead shut down its operations. The firm, the fourth-largest in the U.S., operates 45 North American plants employing 12,000 workers, Bloomberg reported Dec. 27.

The most likely buyer of the ruined firm is Wilbur Ross. Ross and other vulture funds had been trying to buy the company, and now will get it dirt cheap. The court filing comes as a shock, because until recently, the firm had been intending to reorganize, and rebuffed buyout offers.

Since February 2006, five major U.S. auto suppliers have sought bankruptcy court protection. Collins & Aikman will auction its assets and pay off securitized creditors and those holding priority claims; shareholders will get nothing.

Increasing Instability in U.S. Housing Bubble

When the U.S. Commerce Department released information on U.S. existing home sales Dec. 27, the media spinmeisters went into high gear, pointing out that between October and November, these sales rose a miniscule 0.6%—heralding this as the end of the housing collapse. But they overlooked the real trajectory: Existing home sales (at an annualized rate) fell to 6.28 million in November 2006, compared to 7.03 million in November 2005, a fall of 750,000 homes, or 10.7%. Inventories of unsold homes are still very high: 3.82 million homes are listed on the market for sale.

Meanwhile, mortgage lending firms are going belly-up. On Dec. 20, Harbourton Mortgage Investment Corporation (HMIC), a mortgage banking operation that provided financing to builders and developers of residential real estate, was closed down permanently by its parent company. HMIC was losing money heavily. On Dec. 4 and Dec. 6, respectively, Sebring Capital Partners, and Ownit Mortgage Solutions, both lenders in the sub-prime mortgage market, shut down their operations for good. These constitute ever widening oscillations in the mortgage lending market.

New Congress Already Hit with Anti-Nuclear Propaganda

On Dec. 27, a letter was delivered to Congressional leaders from 102 "business," "consumer," and "environmental" groups, asking Congress, when it reconvenes, to change the (as yet, unpassed) Fiscal Year 2007 budget for the U.S. Department of Energy, in order to increase funding for "sustainable" energy programs. These include the "soft" energy sources, such as wind, solar, and geothermal, and energy conservation "technologies." Playing upon the Congress's belief that cutting spending is necessary in order to reduce the deficit, the anti-nukes recommend that the increased money for "sustainable" technologies be taken largely from the nuclear energy research and development programs.

The first signature on the letter is that of a Sylvia Zisman, Abolition Now Campaign, Springfield, N.J. Other signers are mainly the anti-nuclear political partisans one would expect, such as Greenpeace and Friends of the Earth, plus energy "efficiency" and alternative energy businesses.

NYU Economics Prof Warns of Real Estate Crash

New York University economics professor and chairman of the Global Economics think tank, Nouriel Roubini, has given gloomy warnings about the state of the U.S. economy. According to *Financial Times Deutschland* Dec. 28, he angered people when in August he predicted a 70% probability that the U.S. economy will go into recession. *FTD* refers to Roubini having stated that the real estate crash in the U.S. will have a major effect on the real economy, a "burn out" of U.S. consumers who see their capital shrinking from falling real estate prices. Given that 40% of new jobs had been created in the year 2001 in the real estate sector bubble, this crisis will lead to major unemployment and shrinking incomes for many U.S. households. To this must be added higher energy costs and the high interest rates of the Fed, according to Roubini, whose prognostications have reportedly angered Fed chairman Ben Bernanke, and "are seen by many as 'voodoo economics,' says the *FTD*.

World Economic News

Money Supply Surges, Financing Predatory Buyouts

The European Central Bank reported on Dec. 29 that M3 money supply surged in November by 9.3%, from the level of a year earlier, in the 12 European nations covered by the ECB. This is the fastest acceleration in European M3 money supply since April 1990, 16-1/2 years ago. Driving this process is the explosion in bank lending, both for predatory mergers and acquisitions, and the home bubble.

ECB head Jean-Claud Trichet may utilize this as a reason to hike the ECB's key interest rate, which currently stands at 3.5%

In the United States, the same process is under way. It will be recalled that on March 23, 2006, the Federal Reserve stopped publishing M3 money supply data, precisely so that it would not have to make publicly known the explosion in M3. However, economist John Williams, using the same data available to the Federal Reserve, reconstructed M3. On the website www.shadowstats.com, he shows that for 2006, M3 money supply is swelling at an approximately 9% annual rate.

During 2005, Lyndon LaRouche focussed on the hedge funds' manic speculative investments, typified by commodities, derivatives, and takeovers, as setting off a Weimar hyperinflationary shock front, which would be accompanied by an explosion in money supply.

Another Warning of Growing Financial Risks

In a background interview with *Die Welt* published Dec. 28, the chairman of Axa Private Equity, Stephan Illenberger, warned of the "growing risks" in the field of private equity transactions and mergers. Illenberger estimates that in the next year, a major "accident" will occur. "It doesn't have to be something like 9/11," Illenberger told *Die Welt*. "But it is enough, if a major client falls out. If that were to happen, there would no longer be enough security reserves." The warning from Axa Private Equity comes in line with similar warnings made some weeks ago by ECB officials, comments *Die Welt*. On average, only one-fourth of the capital used for private equity fund buyouts is capital owned by the buyer; the rest is credit and high-yield loans which are imposed on the companies being taken over. According to S&P estimates, corporations are sinking ever more into debt, and the risk of insolvency is increasing accordingly. Illenberger therefore concludes that only a major "accident" will bring matters back into line.

Substantial 'Corrections' Could Follow Record Year in Real Estate

In its year-end review, cited in *Frankfurter Allgemeine Zeitung* on Dec. 29, Jones Lang LaSalle, a leading European real estate developer, notes that with more than \$800 billion "invested" in real estate globally, 2006 comes close to the previous

record year of 2003; yet, the volumes traded today are twice those of three years ago. 200 billion euros (about \$250 billion), were pumped into Europe, 50 billion of those into Germany, alone. Russian and Arab money is increasingly pumped into the European bubble (instead of being invested into the real economy).

There are two risks involved, however, and they will show in 2007, the review warns: As compared to 2003, commercial real estate prices are down by 35% in Frankfurt and Warsaw, by 33% in Berlin, by 25% in Hamburg, and 24% in Madrid. Thus, the hopes of speculators that prices can be brought back to 2003 levels, will flop, therefore bigger losses (or, "corrections," implying "dangers," as the review calls them), will occur. Also in the boom towns, like Moscow (up 110%, as compared to 2003), Brussels (17%) or Milan (14%), "corrections" will ruin many speculators' expectations.

Five Years Later, a General Attack on the Euro

On Dec. 28, the French daily *Liberation* covered its front page with the headline: "There Is No More Love for the Euro." The article presents the results of two nearly identical sets of statistics, one presented by the French polling institute TNS for the Catholic magazine *Le Pelerin*; the other in an annual report of the European Commission, showing that the euro has fallen into disgrace with the majority of the European population. In France, 52% of the population (compared to 45% in 2003) believe that "the euro is a bad thing"; 53% (against 50% in 2003) say that it has a bad influence on employment; and 57% think that the euro is bad for them "personally" (56% in 2003). An article in *Le Parisien* adds that this is not just a French sentiment, citing German polls published recently that indicate 58% of Germans want to go back to the deutschmark. The annual report of the EU confirms those statistics: only 48% of European citizens are favorable to the euro today, against 59% in 2002.

United Arab Emirates Shifting to Euro?

The German daily *Die Welt* reported Dec. 28, based on background discussions with Emirate economists, that the (UAE) will be "shifting in a 'limited way' from dollar reserves and gold into the euro." According to *Die Welt*, since many of the Emirates think that the dollar will remain vulnerable in 2007, not only the Emirates, but all Gulf countries (Saudi Arabia, Kuwait, Bahrain, Oman, etc.) consider it "advantageous" to diversify. In 2006, the dollar-euro shift was 10%. It is also pointed out that, aside from Iran, which announced a shift in a limited way in this direction in December, and now the Emirates, Venezuela and Indonesia have also begun similar moves.

China To Slow Auto Investment

In a move that will affect all the major world auto producers, China has declared controls on auto industry investments, requiring automakers who seek to expand their factories to show that sales exceed 80% of last year's authorized output, AP reported Dec. 27. China is the world's third-largest auto market, and all of the major automakers also produce parts in Chinese factories. China is said to be imposing the controls in an effort to control inflation and "prevent a debt crisis," a new euphemism for dollar collapse.

China's U.S. Trade Surplus Poses Financial Challenges

Due to China's huge trade surplus against the United States, the Chinese currency, the renminbi (RMB), was at a record high of 7.808 against the U.S. dollar at the end of December. This was the seventh record high of the RMB for the month. The value of the RMB against the dollar is up almost 3.86% since China revalued the currency in July 2005.

As of November, China's trade surplus was \$156.521 billion, up 42% over 2005. The People's Bank of China has had to issue more RMB to buy excess foreign exchange. The Xinhua news agency reported Dec. 29 that the huge influx of

foreign exchange is responsible for about one-third of China's money supply.

China's banks are also facing internal problems. RMB savings deposits exceeded loans by 11 trillion yuan (\$1.41 trillion) in November, with the loan/savings ratio at a record low of 66.74%, according to the People's Bank of China. This is up from a margin of 9 trillion RMB in January. With savings increasing rapidly, banks are finding it difficult to lend effectively. The Chinese government has established a policy of restricting investment in local construction or other projects, in order to attempt to prevent real estate or other bubbles. However, the banks are now under pressure to pay interest on the savings deposits, and the huge gap between loans and deposits could pressure the commercial banks to again loosen credit. There is also the potential that these funds would flow into the stock or securities markets, making the problem of excess liquidity worse.

United States News Digest

Ford Disagreed with Bush on Iraq

The *Washington Post* Dec. 28 released tapes of an interview with former President Gerald Ford, the day after his death at 93, in a front-page article by Bob Woodward. Woodward relates remarks by the late President Ford regarding President George W. Bush's Iraq War, which were recorded in July 2004, and in a subsequent lengthy conversation in 2005, which had been embargoed until after Ford's death. "I don't think, if I had been President, on the basis of the facts as I saw them publicly," Woodward quotes Ford, "I don't think I would have ordered the Iraq war. I would have maximized our effort through sanctions, through restrictions, whatever, to find another answer." Ford also remarked regarding Dick Cheney, that he had been an excellent chief of staff (in the Ford Administration), but he thought Cheney had become more "pugnacious" as Vice President, agreeing with Colin Powell's assessment that Cheney developed a fever about the threat of terrorism and Iraq.

President Ford is also quoted from a 2006 interview in the *Daily News* as saying that he didn't like Bush's domestic surveillance program: "It may be a necessary evil. I don't think it's a terrible transgression, but I would never do it. I was dumbfounded when I heard they were doing it."

Republican Senator Puts GOP on Notice on Iraq

The break by Sen. Gordon Smith (R-Ore) with the White House has caused reverberations throughout the Republican Party, reported the Dec. 28 *New York Times*, referring to Smith's Dec. 7 speech on the Senate floor, in which he said that "a policy that has our soldiers patrolling the same streets in the same way, being blown up by the same bombs day after day ... is absurd. It may even be criminal."

After the speech, Smith says, he got a cold shoulder or two, "But many of my colleagues said, 'Boy, you spoke for me.'"

Smith voted to authorize the war in 2002, but he says his attitude changed after he visited Iraq last year. And, he added, a book on World War I he had been reading, by British military historian John Keegan, was beginning to haunt him. Smith said that his use of the word "criminal" in his Senate speech came out of his reading of Keegan's book, which described "the practice of British generals, sending a whole generation of British men running into machine guns, despite memos back to London saying, in effect, machine guns work."

Much like the British in World War I, Smith added, "I have concluded that we are employing strategies that are needlessly getting kids killed."

When he came back from Iraq, he says he listened with growing dismay to optimistic briefings given to Senators by Defense Secretary Donald Rumsfeld and other Administration officials. The answers always seemed to be, "It's tough, but we have to stay the course."

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Hirsch argues that Bush is determined to attack Iran, and that such an attack would involve nuclear weapons. (If Bush really wanted a negotiated settlement, Hirsch points out, he had plenty of opportunities to pursue such an agreement.) But Bush is determined to attack Iran, and his private assurances are meaningless. Military action could start either with a Gulf of Tonkin-type incident, or an Israeli attack, or some incident used as a pretext. And it is bound to lead to the use of nuclear weapons. The only way to stop this, Hirsch contends, is for Congress to bring this to public attention, hold hearings, and take the nuclear option off the table, such as by barring the U.S. use of nuclear weapons against a non-nuclear-weapon state.

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Two Israeli witnesses were already allowed to testify anonymously in a recent Chicago trial of two men accused of aiding Hamas. In Miami, a Federal judge has rejected a request that six Israeli officers be allowed to testify in disguise and without revealing their identities, in a trial of a man accused of trafficking in the drug Ecstasy. And in Dallas, a Federal judge is considering whether to allow Israeli security officials to testify anonymously in a trial of officials of the Holy Land Foundation, accused of sending money to aid charities supported by Hamas.

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A University of Michigan law professor said that Israel's concerns about the security of its agents shouldn't be allowed to trump the U.S. Constitution: "Israel doesn't conduct our criminal procedures, and there is no reason why a defendant's rights in court should be determined by Israeli criminal procedure."

Kerry, Dodd Report on Visit to Syria

Writing in the Dec. 24 *Washington Post*, Sen. John Kerry (D-Mass) reported that when he and Sen. Chris Dodd (D-Conn) met with President Bashar al-Assad in Damascus the previous week, "we found potential for cooperation with Syria in avoiding disaster in Iraq—potential that should be put to the test. Washington can't remain on the sidelines, stubbornly clinging to a belief that talking to our enemies rewards hostile regimes."

Appearing on ABC News' "This Week" the same day, Dodd was asked about White House spokesman Tony Snow's statement that their trip was "a P.R. victory for the Syrians." Dodd responding, "hardly," noting that he is a senior member of the Senate Foreign Relations Committee, and that we cannot expect to resolve any of these situations like Iraq or Lebanon by ignoring a major power in the region such as Syria. Dodd noted that Syria and Iraq have exchanged ambassadors, and that they have a common interest in seeing an Arab nation, a mixed and pluralistic society, emerging in Iraq, and he said that we should look for common ground with Syria.

Ibero-American News Digest

Bipartisan Senate Delegation to Andes Promotes Friendship

Incoming Senate Majority Leader Harry Reid (D-Nev) is leading a bipartisan delegation of six U.S. Senators to the Andean countries of Bolivia, Ecuador, and Peru. The visit, from Dec. 27-Jan. 2, aims to reaffirm the friendship between the U.S. and a region of the Americas which was beginning to give up any hope for sanity from Washington. The trip is another example of how the new Democratic majority began organizing bipartisan intervention to counter the madness of the Bush-Cheney Administration's foreign policy, before the new Congress is even sworn in. Other members of the delegation are Democrats Kent Conrad, Richard Durbin and Ken Salazar, and Republicans Judd Gregg and Robert Bennet.

"We are here to show how much we care for Bolivia, Bolivians and their culture," Reid declared upon arriving in Bolivia. "When we leave, we want to make it clear that we came as friends, to learn from you." Salazar told Bolivian TV that the presence of the soon-to-be Senate Majority Leader "points to a different direction" in U.S. policy toward Ibero-America in coming years. "I think we all want the same thing, which is to lift Latin-America's people," he said.

After meeting with President Evo Morales on Dec. 28, Reid said that his first foreign visit as incoming head of the Senate was not random, but that he deliberately chose to come to Bolivia in order to strengthen its ties with the United States. He said he is eager to return to his country's Senate, to let them know how well they were treated in Bolivia. "We came as friends, and we leave becoming even closer friends," he said. Reid said they discussed many things, including drug trafficking, on which they agreed that it harms societies, and that Bolivia will eradicate all "excess" coca production. Salazar, speaking in Spanish, pledged that the U.S. government will "work for Bolivia."

On Dec. 30, the delegation held an hour-long meeting Ecuador's anti-free-trade President-elect Rafael Correa, after which Reid said that the U.S. wants to strengthen relations with Correa, and respects his intention to not extend the U.S.'s right to use the military base at Manta for U.S. military anti-drug operations when the agreement runs out in 2009. "We respect the sovereignty of Ecuador," said Reid. Asked specifically about Correa's friendship with Venezuelan President Hugo Chavez, Reid said that Ecuadorians have the right to choose their leader, and in his view, the U.S. has now opened a dialogue with Ecuador. Correa, for his part, told a news conference that he had had a cordial and respectful meeting with the U.S. delegation.

Push for National Development Bank in Argentina

Talk is underway in Argentina about transforming the state-run Banco de la Nacion (BNA) into a National Development Bank, modelled on Brazil's National Economic and Social Development Bank (BNDES), *La Nacion* reported Dec. 22. BNA's Vice President Roberto Feletti indicates that the bank, founded by nationalist President Carlos Pellegrini in 1891, is well situated to play the role of a development bank, given its current high liquidity and low interest rates. The year 2007 is going to be the "year of credit for investment, because many companies need to capitalize themselves and expand, and the sums they need to do this can't be obtained from their own cash reserves or from financing via suppliers."

Argentina's Industrial Union (UIA) is one of the entities promoting this initiative, Feletti said, to promote investment and prevent national companies from being taken over by foreign financial interests. Founded in the mid-1870s, the UIA was at its inception a strong backer of protectionism, and a great admirer of the American System of political economy. Although it is factionalized today, there remains within it a strong current that favors national industrial development—something that President Nestor Kirchner has encouraged.

Feletti indicated that some changes in BNA's statutes would be required, to allow it to offer larger credit lines than are now stipulated, but that this would be relatively simple to do once a political decision were made. A division dealing with these types of credit operations could be established. "It makes no sense to create a new bank, with the bureaucracy that would be required, when the nation can easily handle that task," he said.

Not All Billionaires Are Equal, World Bank Tells Mexico

The World Bank released a curious study on Nov. 7, which demanded that "unequal structures of wealth and influence"—such as trade unions—be busted up, but not "self-made" billionaires. The study, titled "The Inequality Trap and Its Links to Low Growth in Mexico," marshals statistical mumbo-jumbo to make its case that Mexico can only become competitive, when the "inequality" created by "corporatist groups" is eliminated. Who are the "corporatist groups"? First and foremost, the state-sector unions (specifically: teachers, and oil, social security, and electricity workers) and telecom unions. You see, those union members make more money than other workers, and they block needed post-NAFTA reforms. But farmers who use irrigation methods are also categorized by the World Bank as "wealthy," and deemed part of the "structures of inequality" to be eliminated, because they use water, whose price is subsidized by the government.

However, while the World Bank does express concern over Mexico's notorious "concentrated business wealth" and high number of billionaires (up to as many as 20 billionaires in a country where at least half the population is unemployed), the study asserts that not all billionaires are equal, writing: "international evidence finds self-made billionaire wealth to be associated with higher growth, but inherited billionaire wealth to be associated with lower growth."

Not surprising, then, that they also are pleased that the Mexican banking system is no longer owned by a small group of families, but by a small group of foreigners, who, they admit, don't lend to anybody!

***EIR* Rep Brings Classical Music to Panama**

EIR's Carlos Wesley organized a Christmas Day broadcast of Beethoven's Ninth Symphony on a national AM radio station in Panama, a country in which there is not a single Classical music station, and Classical music is virtually unknown outside of the elites. The broadcast was a tremendous success.

To create an audience, the station promoted the Christmas Day Beethoven performance during the week leading up to it, by playing a fragment of the "Ode to Joy" (Beethoven's setting of Schiller's poem), and announcing the program several times a day. To measure the reaction, the station announced a raffle, with a CD of Beethoven Symphonies as the prize, for those who called the station during the program. The program was inundated with calls, and nearly every person who called said, "Thank you so much. You have transported me to a very beautiful place," or comments of that sort.

The program began with the Hallelujah chorus from Handel's *Messiah*. Then, Wesley was introduced as representing Lyndon LaRouche's *EIR*, explaining to listeners that the LaRouche Youth Movement has taken up the idea of German poet Friedrich Schiller as its own, with the argument that it is not enough to educate the reason, but one must concern oneself with the aesthetic education of man, and educate one's emotions so as to prevent a repetition of the French Revolution, where a great moment found a little people. Wesley asked the audience to reflect: "Can you imagine a meeting where instead of getting a speech from the barricades, the meeting instead begins with a piece of Classical music, or a group of youth distributes leaflet, while singing a Bach motet?" The LYM's rendition of Bach's "Jesu, meine Freude" was then played, explaining to people that this was part of a CD prepared by the LYM to announce LaRouche's Jan. 11 webcast, whose date and time was repeated throughout the broadcast.

After a few other pieces and discussion of Beethoven's Ninth and Schiller's poem, the Ninth Symphony was played in its entirety.

Western European News Digest

Ford Disagreed with Bush on Iraq

The *Washington Post* Dec. 28 released tapes of an interview with former President Gerald Ford, the day after his death at 93, in a front-page article by Bob Woodward. Woodward relates remarks by the late President Ford regarding President George W. Bush's Iraq War, which were recorded in July 2004, and in a subsequent lengthy conversation in 2005, which had been embargoed until after Ford's death. "I don't think, if I had been President, on the basis of the facts as I saw them publicly," Woodward quotes Ford, "I don't think I would have ordered the Iraq war. I would have maximized our effort through sanctions, through restrictions, whatever, to find another answer." Ford also remarked regarding Dick Cheney, that he had been an excellent chief of staff (in the Ford Administration), but he thought Cheney had become more "pugnacious" as Vice President, agreeing with Colin Powell's assessment that Cheney developed a fever about the threat of terrorism and Iraq.

President Ford is also quoted from a 2006 interview in the *Daily News* as saying that he didn't like Bush's domestic surveillance program: "It may be a necessary evil. I don't think it's a terrible transgression, but I would never do it. I was dumbfounded when I heard they were doing it."

Republican Senator Puts GOP on Notice on Iraq

The break by Sen. Gordon Smith (R-Ore) with the White House has caused reverberations throughout the Republican Party, reported the Dec. 28 *New York Times*, referring to Smith's Dec. 7 speech on the Senate floor, in which he said that "a policy that has our soldiers patrolling the same streets in the same way, being blown up by the same bombs day after day ... is absurd. It may even be criminal."

After the speech, Smith says, he got a cold shoulder or two, "But many of my colleagues said, 'Boy, you spoke for me.'"

Smith voted to authorize the war in 2002, but he says his attitude changed after he visited Iraq last year. And, he added, a book on World War I he had been reading, by British military historian John Keegan, was beginning to haunt him. Smith said that his use of the word "criminal" in his Senate speech came out of his reading of Keegan's book, which described "the practice of British generals, sending a whole generation of British men running into machine guns, despite memos back to London saying, in effect, machine guns work."

Much like the British in World War I, Smith added, "I have concluded that we are employing strategies that are needlessly getting kids killed."

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Russia and the CIS News Digest

Putin Keeps Spotlight on Demographic Crisis

Addressing the Council of Legislators in Moscow Dec. 21, Russian President Vladimir Putin returned to a major theme of his May 2006 State of the Federation report: Russia's demographic crisis. Over the past 13 years, he said, deaths in Russia have exceeded births by a total of 11.2 million. In 1992, immigration offset most of the population decline, but as of 2005, immigration made up for only 12.7% of that year's loss.

"We must break out of these negative tendencies, and do so based on a systematic and well-designed policy," said Putin, introducing First Deputy Premier Dmitri Medvedev to give a report on the National Projects in areas such as health care. Putin repeated his commitment to increasing subsidies to families with children. He also talked about ways to address the unacceptably high death rate of Russian men, first of all, from cardiovascular diseases, and secondly, from "unnatural or external factors: road and transport accidents, alcohol poisoning, and crimes."

In 2007, Putin announced, 12 pilot projects in various regions will be launched, for attracting Russian ethnics to immigrate

to Russia. At the same time, there will be attempts to regulate the influx of non-Russian laborers, who are needed in the economy, but whose presence was the focus of rising tensions during 2006.

Gazprom in Showdown with Belarus

A war of words escalated between the Russian natural gas giant Gazprom, and the government of Belarus, after their price talks broke down Dec. 26. The possibility of a cutoff of gas destined for Belarus, with retaliation in the form of Belarussian diversion of gas destined for the rest of Europe, loomed as the year came to a close without a new contract being signed. Although Gazprom chairman Alexei Miller pledged Dec. 27 to supply gas to Gazprom's other European customers, he also said Gazprom had notified Lithuania, Poland, and Germany of possible disruptions. Alexander Medvedev, another Gazprom executive, said Dec. 28 that, "if Belarus siphons off a part of the gas destined to our European clients, ... that gas will be missing from the system. I cannot, therefore, exclude any future forced rationing of our stocks and, therefore, shortages for our clients."

About 20% of Russian gas exports to Europe cross Belarus; the rest cross Ukraine. Russia supplies one-fourth of Europe's gas needs, with customers in 20 countries, the largest such consumer being Germany. Gazprom was reportedly negotiating with Ukraine to increase the transit across that country, though experts said the maximum boost would be 4-5%. EU officials said that warm weather has allowed an accumulation of gas in Gazprom storage facilities, as well as at other companies in Germany and Austria.

As of Dec. 29, a delegation led by the CEO of the Belarusian pipeline company, Beltranshaz, flew to Moscow to continue negotiations, and an Energy Ministry official in Minsk said the intention was still to sign a contract. But Gazprom spokesman Sergei Kupriyanov doubted progress would occur, until Belarusian First Deputy Premier Vladimir Semashko joined the talks. Belarusian Prime Minister Sergei Sidorsky warned of transit disruptions, saying on TV Dec. 28, "We will not be able to deliver gas to Europe without a contract." Sidorsky conferred by phone with Russian Prime Minister Mikhail Fradkov. Miller said Gazprom's final offer stands: \$105 per thousand cubic meters, of which \$75 in cash and \$40 in shares in Beltranshaz, the Belarusian pipeline company. In 2006, the price was \$47. Minsk wants to pay \$30 less than the Gazprom offer, arguing that, because there is a "union" agreement between the two countries, it should not pay above the Russian domestic price in neighboring Smolensk Region. (Gazprom ultimately intends to raise domestic prices, too.)

Russians Link Litvinenko Investigation to Yukos Figure

The Prosecutor General's Office of the Russian Federation announced Dec. 28 the merger of its investigation of the Litvinenko polonium 210 poisoning case, and ongoing murder investigations of fugitive Yukos Oil exec Leonid Nevzlin. "Evidence received indicates a link between the criminal case of the murder of former FSB employee Alexander Litvinenko in Britain, as well as the attempt on the life of businessman Dmitri Kovtun, and the criminal case against a number of Yukos Oil executives for crimes against the life and health of citizens. A theory is being checked, according to which these crimes may have been commissioned by the same people, who are on international wanted lists for committing felonies, and one of these people is Yukos Oil co-chairman Leonid Nevzlin," said the statement.

Nevzlin lives in Israel. Weeks ago Israeli papers and *Moskovsky Komsomolets* reported that Litvinenko went there two weeks before the alleged Nov. 1 date of his poisoning in London. Some Israeli media wrote that Litvinenko was delivering secret, explosive information about the Yukos case, to its former major shareholders, now residing in Israel. RIA Novosti said that British and Israeli officials declined to comment on the Russian move.

Russian Monthly Quotes *EIR* on Milton Friedman

The death of monetarist economist Milton Friedman drew more than a little attention in Russia, where the murderous "shock therapy" reforms of 15 years ago were based on the ideas of Friedman and Friedrich von Hayek. Several media articles linked the passing of Friedman and of Gen. Pinochet in Chile, under headlines like, "Death of a Fascist," "Pinochet and Yeltsin," "A Love Affair With Pinochet." One of the most striking articles appears in the November-December issue of the monthly *Valyutny Spekulyant* (*Currency Dealer*), which uses, and gives credit to, *EIR* editor Nancy Spannaus's obit of Friedman in the Dec. 8 *EIR*. Introducing Friedman as the person "whose ideas guided the Russian 'young reformers' 15 years ago," the article highlights Friedman's behind-the-scenes role in the 1971 destruction of the Bretton Woods System, in favor of floating exchange rates, and gives the quotations from Friedman, provided by Spannaus, about the "success" of wage/price controls in Nazi Germany. The importance of the Mont Pelerin Society is also emphasized by *Valyutny Spekulyant*.

Besides the article, a *Valyutny Spekulyant* correspondent had an opportunity to confront two of the godfathers of the 1990s monetarist reforms in Russia, at an interview session, staged for a TV program on the 15th anniversary of the implementation of Friedmanite policies in Russia by the government of Yegor Gaidar in 1991-1992. TV host Matvei Gannapolsky scripted a debate with two critics and two supporters of Gaidar, but there was really only one critic, State Duma Deputy Svetlana Goryacheva. Participant Konstantin Borovoy, a prominent supporter of Gaidar in the early 1990s, said that those who opposed Gaidar's reforms were fools, or fascists, and that "fascism is the main threat to the remnants of democracy in Russia." When the *Valyutny Spekulyant* correspondent began to ask what Borovoy thought about Milton Friedman, as the mentor of Gaidar and all his band, Gannapolsky immediately stopped the interview, saying, "We are not discussing Friedman, this great economist." Nonetheless, the correspondent used his allotted one question to cite the words of Friedman himself in praise of the Nazi economy, from Nancy Spannaus's article. At that point, both Borovoy and Yuri Afanasyev, another major figure in the break-up of the *perestroika*-era Soviet Union, began to explain that the Nazi economy was "very efficient," and that the "efficient" Chilean economy was the most brilliant illustration, that Gaidar's teacher was right. This exchange was omitted, when the program was broadcast in late December.

The circulation of *EIR*'s exposés of the "Chilean model," and its apostles like Domingo Cavallo of Argentina, were instrumental in preventing the reimposition of these insane and evil policies at the moment of the Russian default crisis in 1998.

Southwest Asia News Digest

Cheney's Neo-Cons Pushed Israel To Attack Syria in Lebanon War

A top Israeli-American neo-con confirmed in an interview with Ynet, published on Dec. 18, that Vice President Dick Cheney and the neo-cons wanted Israel to attack Syria during the Lebanon War. Under the headline, "Co-Author of "Clean Break" Confirms: Cheney Pushed Israel To Attack Syria in July 2006," Ynet wrote: "Among the few remaining neo-cons is David Wurmser, an advisor for Vice President Dick Cheney.... Wurmser is a Middle East expert, just like his wife, Israeli Meyrav Wurmser, a researcher at the conservative Hudson Institute." Ynet, the online news service for *Yediot Ahronot*, Israel's largest-circulation newspaper, says that although the neo-cons are "no longer part of the government, it turns out they're still one big happy family,"

According to Meyrav Wurmser, the neo-cons are not responsible for the disaster in Iraq: "We expressed ideas, but the policy in Iraq was taken out of neo-con hands very quickly. The final decisions were not in their hands," she said. Now that the neo-cons are out of the administration, she warned, "they will be able to convey all the criticism they kept inside."

Regarding the Israel-Lebanon War she said, "Hezbollah defeated Israel in the war. This is the first war Israel lost.... Yes, there is no doubt. It's not something one can argue about it. There is a lot of anger at Israel.... I know this will annoy many of your readers. But the anger is over the fact that Israel did not fight against the Syrians. Instead of Israel fighting against

Hezbollah, many parts of the American administration believe that Israel should have fought against the real enemy, which is Syria and not Hezbollah." Does the administration expect Israel to attack Syria, asked Ynet. She replied, "They hoped Israel would do it. You cannot come to another country and order it to launch a war, but there was hope, and more than hope, that Israel would do the right thing. It would have served both the American and Israeli interests. The neo-cons are responsible for the fact that Israel got a lot of time and space. They believed that Israel should be allowed to win. A great part of it was the thought that Israel should fight against the real enemy, the one backing Hezbollah. It was obvious that it is impossible to fight directly against Iran, but they thought that its strategic and important ally should be hit.... If Israel had hit Syria, it would have been such a harsh blow for Iran, that it would have weakened it and changed the strategic map in the Middle East. The final outcome is that Israel did not do it. It fought the wrong war and lost. Instead of a strategic war that would serve Israel's objectives, as well as the U.S. objectives in Iraq. If Syria had been defeated, the rebellion in Iraq would have ended."

As *EIR* has reported, the 1996 study, "Clean Break: A New Strategy for the Realm," coauthored by Wurmser and her husband David, called for "regime change" in Iraq, Iran, and Syria, and for abrogation of the Oslo Accords, and termination of plans for the creation of a Palestinian Authority, or future Palestinian state. The other coauthors include former Assistant Secretary of Defense, Douglas Feith, and former head of the Defense Policy Board, Richard Perle, both architects of the illegal Iraq war, and insiders in the creation of concocted intelligence reports that misled Congress into authorizing action against Iraq. The "criticism" being voiced by Meyrav Wurmser in Ynet parallels statements by Perle in *Vanity Fair* (Nov. 3, 2006) claiming that the Iraq war was a failure because the administration did not follow the neo-cons' program for victory. In fact, the only real strategy that the neo-cons had was the perpetual war plan set forth in the Clean Break.

Iranian Religious Leader Denounces Plot To Pit Sunnis vs. Shi'ites

Ayatollah Emami Kashani, speaking as substitute prayer leader in Tehran Dec. 28, warned Muslims against plots cooked up by the West to sow discord among the Shi'a and Sunni, IRNA reported Dec. 29. "The enemy is preparing a massive plan for the Islamic world and for the entire region," he said, addressing worshippers at Tehran University.

In his view, after the Western states were obliged to admit the defeat of their policies in Iraq, Lebanon, and Afghanistan, they decided to set up this new plan for sectarian strife, and he regretted that some Muslims were falling into the trap. He called for unity among Muslim countries.

Egypt Will Not Supply Weapons for Palestinian Civil War

Egyptian-supplied weapons will not be used for a Palestinian civil war, declared the Popular Resistance Committees, consisting of ex-Fatah members, Hamas, Islamic Jihad, and the Al Aqsa Martyrs Brigades, according to reports in Ynet and the *Washington Post* Dec. 29. "We vow to show the Israelis very soon [that] the weapons they lately channeled to the Presidential Guards and to the security services will be directed against the occupation," said Muhammad Abdel Al, a spokesperson for the group. "In all the security services, including in the Presidential Guard, there are activists affiliated with all the Palestinian groups, including ours, and Hamas." He added that, instead of those weapons being used in a civil war, "we promise that should these arms reach us we will use them against the occupation and the Zionist enemy."

Meanwhile, Ahmed Youssef, a spokesman for Palestinian Prime Minister Ismail Haniyeh, said that Egyptian officials had assured him that no weapons had been sent. He charged that Israel was spreading false rumors about an arms shipment in "an attempt to increase tensions among the Palestinians."

Abbas, Haniyeh Talk by Phone

Palestinian President Mahmoud Abbas spoke to Prime Minister Ismail Haniyeh by phone Dec. 28, before Haniyeh departed to resume his tour of Arab countries that he interrupted earlier this month. "The President wished his Prime Minister a successful journey, and the Prime Minister thanked him for his care," an aide to Haniyeh told Reuters. Abbas's office confirmed the call. Haniyeh said arrangements are being made for he and Abbas to meet in Amman, Jordan with King Abdullah, the first week in January, to try to work out the political disputes that have prevented the formation of a national unity government. Jordan is expected to be the final stop on Haniyeh's tour, which also includes stops in Saudi Arabia, Kuwait, and Qatar to lobby for financial support for the Palestinian Authority.

Asia News Digest

Polls Find Chinese Concerned About Income Gap

Ninety percent of Chinese think that the income gap between rich and poor has widened to an alarming extent, according to polls taken by the *China Youth Daily* and Sina.com electronic news and published Dec. 26. These 90% of Chinese think that the split between the rich and poor is "serious," and over 80% said something must be done about the problem. Only 14% said that nothing needed to be done about it. Those surveyed were themselves among the well off.

A small percent of wealthy in Beijing are travelling abroad, while others fear the rising costs of food and medicine, *China Youth Daily* reported. The wealthy in China, only 10% of the population, control 45% of total wealth, and the poorest, also 10% of the population, have only 1.4%, the National Bureau of Statistics reported in June. There are 130 million such impoverished Chinese. The poverty line in China is set at under the equivalent of US\$100 per year.

The survey was of 10,250 people, aged 20-30, college educated and having a monthly salary between 1,000-3,000 yuan (US\$120-US\$360). This group did not blame the urban-rural disparity for the problem. Over 70% said that corruption, and control by "the group of special interests" is the prime reason for the gap. The group surveyed asserted that education by no means led to personal economic well-being in China.

Xinhua cited Tang Min, chief economist of the Asian Development Bank Resident Mission in China, warning that if the income gap gets any wider, public support for the government's "reform and opening-up" policy will fall, and the crisis could even lead to social turmoil.

China To Build First Its First HTGR

China will soon begin to build its first high-temperature gas-cooled reactor (HTGR), Xinhua reported Dec. 26. The previous day, China Huaneng Group, China Nuclear Engineering and Construction Corp., and Tsinghua University signed an agreement to set up a nuclear power company in Shidaowan, Shandong Province. This will fund the project, build, and operate the reactor. Seventy percent of the technology used in the project will be developed in China.

The reactor will have a capacity of 200,000 kw, and cost US\$375 million.

Thailand To Tighten Laws on Foreign Ownership

Thailand plans to rewrite the law which imposes a 49% limit on foreign ownership of certain types of companies, including financial institutions and construction firms, in order to prevent the current practice of circumventing it, the *Financial Times* reported Dec. 28. This slight-of-hand has been carried out by purchasing preferred shares, which have a higher voting right per share than common shares, and by using nominee domestic companies, which vote with the parent

company. This would give the foreign interest majority voting control, despite holding direct ownership below the limit of 49%.

The proposed new law will limit voting rights, not ownership, to less than 49%. The *FT* says unnamed foreign companies will take Thailand to the WTO for supposedly illegal "expropriation" if they are forced to sell down their holdings, even though the new law is one commonly used around the world. Note also: the Bank of Thailand is refusing to give in to demands that they drop the 30% reserve requirement on incoming hot money, implemented in early December. The new-found resistance in Bangkok's financial leadership is worrying the oligarchs.

U.S. Coerced Vietnam into Financial Warfare vs. N. Korea

The U.S. attack on the Bank Delta Asia in Macau in 2005 for dealing with North Korea, served to scare most of the world into cutting currency relations with North Korea. Now, according to the *Financial Times* Dec. 28, Vietnam's East Asia Commercial Bank, which has been the lead Vietnamese "correspondent bank" for North Korean currency exchanges, has given in to U.S. demands and closed its trading accounts with North Korea, openly acknowledging the cause in a letter to North Korea: "Recently, we have worked with American partners in strategic cooperation. Therefore, we apology [sic] that we must close all your correspondent accounts with our bank." The bank has ties to Citibank. Treasury Secretary Hank Paulson thanked Vietnam (with a gun to its head) in September for agreeing to cooperate on the crackdown on North Korea.

N. Korea: U.S. Demands Nuclear Freeze for Ending Sanctions

Kim Kye-gwan, the North Korean representative to the Six-Party Talks, told the Korean press Dec. 26 that "The U.S. is trying to win a nuclear freeze at once just by lifting the financial sanctions, but that's not possible." The U.S., in other words, demanded at this month's Six Party Talks in Beijing, that the U.S. need not take any step-by-step measures in exchange for a North Korean nuclear take-down, as had been agreed in principle in the September 2005 deal. Rather, they argued that the U.S. need only lift the sanctions, which had been imposed by the Treasury Department *after* the September 2005 deal had been made. The Treasury sanctions had sabotaged the State Department's successful negotiations.

Kim said the North could only start discussions on freezing its nuclear programs if the financial restrictions are lifted, thus returning to the situation that existed when the September 2005 deal was reached. He said the one-on-one talks with the United States on the financial sanctions, which took place on the sidelines of the Six-Party Talks, were "perfunctory," and that the United States didn't even present evidence that the North engaged in illegal activities. Financial specialists from North Korea and the United States are likely to resume talks at the end of January in New York, according to South Korean sources.

Divisions in U.S. Over Korea Policy Outlined

South Korean President Roh Moo-hyun last week described the role of the U.S. Treasury sanctions against North Korea as an internal Bush Administration move against the State Department's successful negotiation of an agreement with North Korea in September 2005, AFP reported Dec. 28. Roh told the National Unification Advisory Council on Dec. 21 that the September 2005 agreement was a major step forward, but then the U.S. Treasury imposed severe sanctions on North Korea, by freezing North Korean accounts at Bank Delta Asia (BDA), a Macao bank, which facilitated North Korean external financial relations. Said Roh: "This is incomprehensible to me. As the statement was being signed in China, the U.S. Treasury Department already froze the BDA accounts a few days earlier. Looking back, I don't know whether the State Department knew about it or not. With a conspiracy view, you may say [the two U.S. departments] were playing games." He added: "The Sept. 19 declaration was buried the moment it was born."

Also, on Dec. 28, the newly appointed Reunification Minister for South Korea, Lee Jae-joung, said that the "U.S. government should be more flexible in finding a solution to this issue."

Africa News Digest

Horn of Africa on Verge of Total War; UN, African Union Meet

The Horn of Africa is threatened with out-of-control warfare, as the UN Security Council met in emergency session Dec. 26, Day Three of military attacks in Somalia, including Dec. 24 air strikes by Ethiopia. The United States reportedly has about 100 troops in Ethiopia, helping to train Ethiopian troops.

While Somali transitional government forces continued their advances Dec. 27, and saner forces urgently sought to end the fighting, the Bush Administration encouraged the Ethiopian-spearheaded advance. The combined military forces of the transitional government of Somalia and Ethiopia, which is providing heavy military support, captured the last major towns that had been held by the Union of Islamic Courts (UIC) between the government stronghold, Baidoa and the Somali capital, Mogadishu, and were reported to be 30 kms from the capital. The UIC now only control the coast.

After a meeting today of the African Union, the Arab League, and the Inter-Governmental Authority on Development (IGAD), a group composed of neighboring African countries which, together with the AU and UN, organized the transitional government, put out a carefully worded statement urging support for the transitional government, and the withdrawal of "all troops and foreign elements" from Somalia. The latter was a reference to fighters and military supplies that have been given to the UIC. Last month, the UN issued a report saying that, besides Ethiopia and Eritrea, eight other countries had sent weapons to Somalia, without specifying which groups were the recipients. This reportedly amounts to millions of dollars.

Also on Dec. 27, the Arab League called for a ceasefire in Somalia and "the withdrawal of all forms of foreign presence for Somali territory." Before the conflict flared up, the Arab League had unsuccessfully tried to mediate between the government and the ICU.

The Secretary General of the Organization of the Islamic Conference (OIC) appealed to all factions in Somalia to exercise restraint, and called on Ethiopia to withdraw its military forces.

Diplomats reported that Kenya, which helped establish the transitional government, will hold talks tomorrow with Somalia's UIC leaders, in a bid to end the fighting. On Dec. 26, Kenya urged Ethiopia to halt military operations against the UIC, since it would make the crisis more complicated to solve. Some 160,000 Somali refugees who have fled the last 15 years of fighting are already in Kenya, and now that number is growing.

The UN Security Council has not come to agreement: Qatar is insisting on calling for the immediate withdrawal of Ethiopian forces, while the other 14 members want a ceasefire first, followed by a resumption of peace talks by all the parties, to create conditions for a withdrawal of all foreign forces. This latter approach would have the best chance of working.

As opposed to those trying to calm the situation down, the U.S. State Department, Dec. 26, signalled support for Ethiopian military operations, amidst claims from the Bush Administration that al-Qaeda represents a danger beyond the region, because al-Qaeda is allowed to operate in UIC-controlled areas of Somalia. This claim is based two letters signed by UIC military leader Sheikh Aweys, which call for the assassination of 17 prominent Kenyans and Somalis, an uprising by

ethnic groups in Kenya and Ethiopia, and for Shabab militia fighters to mass along the Kenya-Somali border. Many diplomats don't believe the letters are genuine, although the traditional Somali desire to establish a "greater Somalia" that would include ethnic Somali regions of Ethiopia, Kenya, and Djibouti keeps feeding the danger of war in the region. Thus, the *Washington Post* editorialized that the Bush Administration will have to prepare for a more active engagement "in what is emerging as a hot new front in the war on terrorism."

How to prevent this conflict from blowing up, is the concern of those who are sane, and who don't want to be pawns of a conflict being orchestrated from outside the region. As one Ethiopian in the U.S. said: "The war with Somalia was declared neither by the Ethiopians, nor by the Somali people. We all know we are fighting somebody else's war."

Resource War at Center of Somalia Conflict

A preliminary look under the surface of the current war in Somalia reveals strong Anglophile mining and oil interests at play. For example: the Somali state of Puntland, which lies directly astride the strategic Horn of Africa between Southern Somalia and Somaliland, reveals some powerful mining and oil company connections. It should be noted that both Puntland and Somaliland are considered "breakaway states." Puntland has proclaimed an independent autonomous status with its own state government. Somaliland has demanded complete independence. The Ethiopians have supported both Puntland and Somaliland in these efforts. One reason being that in the 1970s, Somalia launched a war over territorial claims in the Ogaden region of Ethiopia which is contiguous with these two states.

In 2005, the Puntland government signed a deal with a mysterious company called "Consort Private Ltd." registered in the Maldives, but operating out of the offices of London-based attorney Anthony Black. The deal gave Consort full rights over all the mineral and oil resources of Puntland. Consort then turned around and sold 50.1% of its interests to Range Resources Ltd. of Australia. The chairman of range is Sir Sam Jonah, President of Anglo Gold Ashanti, Africa's largest gold company. Jonah is also a director of Anglo American Corporation of South Africa, among other Anglo-American-linked companies.

Range is now deeply involved in oil exploration and preparing to start drilling operations in Puntland. Its partners include Canadian-based Canmex. The latter is a subsidiary of the Lundin Mining company, owned by the infamous Lundin family, whose patriarch Adolf Lundin recently died. Lundin is deeply involved in oil and mining in Russia, Scandinavia, Africa, and South America. It is involved in some of the most war-ravaged countries in the region, including the Democratic Republic of Congo and Sudan. Adolf Lundin was very close to the Axson Johnson family, one of the most powerful oligarchical families in Sweden. It can be said that Lundin functioned as a front for Axson Johnson interests. Former Swedish Prime Minister Carl Bildt is a director.

Another company involved is Middle East Petroleum Services, based in Dubai. Run by one Ken Fellows, it is a spin-off of the old Iraq Petroleum Company which, despite its nationalization decades ago, still maintains a corporate existence in Dubai and London. Its shareholders include Total, Mobil, Exxon, and Partex.

Although in 2005, Somali Prime Minister Geedi, of the Temporary Federal Government, questioned the deal, he later became an enthusiastic supporter. Then the trouble started when the forces of the Islamic Courts began to move to control territory claimed by Puntland.

More Background on British Role in Somalia

According to sources from the Italian-Somali community, the European Union moved in as a cover for the "British Lobby" in 2002 in order to take control of raw materials in Somaliland. The EU initially gave \$199 million to fund a non-

governmental organization set up jointly with the "Somaliland government," to develop mining. Contracts were then given to Rovagold Ltd, a British subsidiary of Centurian Gold Holdings; to Simenole Copenhagen Group, a Danish firm owned by Saudi businessman Feisal Kassim and Mohammed Abdul Aziz; Zarara Energy Ltd, which is part of the Goldfield Group; Awdal Roads Company, a Euro-American fishing company; WorldWater Corporation, which has a contract to drill wells powered by solar energy; and a South African company (not further identified), which got a contract for all mining in Laagaleh, Sinnar, Daarbudug, Gaalloy, Lafaruug, Borama and Daarbuduq.

This Week in American History

January 2—8, 1934

President Franklin Roosevelt Delivers His 1935 State of the Union Message to Congress

After almost two years of developing programs to bring America out of the Great Depression, President Franklin Roosevelt presented the results to date, as well as his plans for the future, to a joint session of Congress on January 4, 1935. The President's future plans included a massive infrastructure-building program which would provide jobs for the 3.5 million able-bodied people who were still unemployed, and a proposal for Social Security legislation which would be sent to Congress on January 17.

President Roosevelt began his address by saying that "The Constitution wisely provides that the Chief Executive shall report to the Congress on the state of the Union, for through you, the chosen legislative representatives, our citizens everywhere may fairly judge the progress of our governing. I am confident that today, in the light of the events of the past two years, you do not consider it merely a trite phrase when I tell you that I am truly glad to greet you and that I look forward to common counsel, to useful cooperation, and to genuine friendships between us."

The President continued: "We have undertaken a new order of things; yet we progress to it under the framework and in the spirit and intent of the American Constitution. We have proceeded throughout the Nation a measurable distance on the road toward this new order. Materially, I can report to you substantial benefits to our agricultural population, increased industrial activity, and profits to our merchants. Of equal moment, there is evident a restoration of the spirit of confidence and faith which marks the American character. Let him, who, for speculative profit or partisan purpose, without just warrant would seek to disturb or dispel this assurance, take heed before he assumes responsibility for any act which slows our onward steps.

"Throughout the world, change is the order of the day. In every Nation economic problems, long in the making, have brought crises of many kinds for which the masters of old practice and theory were unprepared. In most Nations, social justice, no longer a distant ideal, has become a definite goal, and ancient Governments are beginning to heed the call.

"Thus, the American people do not stand alone in the world in their desire for change. We seek it through tested liberal traditions, through processes which retain all of the deep essentials of that republican form of representative government first given to a troubled world by the United States.

"As the various parts in the program begun in the Extraordinary Session of the 73rd Congress shape themselves in practical administration, the unity of our program reveals itself to the Nation. The outlines of the new economic order, rising from the disintegration of the old, are apparent. We test what we have done as our measures take root in the living texture of life. We see where we have built wisely and where we can do still better.

"The attempt to make a distinction between recovery and reform is a narrowly conceived effort to substitute the

appearance of reality for reality itself. When a man is convalescing from illness, wisdom dictates not only cure of the symptoms, but also removal of their cause.

"We find our population suffering from old inequalities, little changed by past sporadic remedies. In spite of our efforts and in spite of our talk, we have not weeded out the overprivileged and we have not effectively lifted up the underprivileged. Both of these manifestations of injustice have retarded happiness. No wise man has any intention of destroying what is known as the profit motive; because by the profit motive we mean the right by work to earn a decent livelihood for ourselves and for our families.

"We have, however, a clear mandate from the people, that Americans must forswear that conception of the acquisition of wealth which, through excessive profits, creates undue private power over private affairs and, to our misfortune, over public affairs as well. In building toward this end we do not destroy ambition, nor do we seek to divide our wealth into equal shares on stated occasions. We continue to recognize the greater ability of some to earn more than others. But we do assert that the ambition of the individual to obtain for him and his a proper security, a reasonable leisure, and a decent living throughout life, is an ambition to be preferred to the appetite for great wealth and great power.

"I recall to your attention my message to the Congress last June in which I said: 'among our objectives I place the security of the men, women, and children of the Nation first.' That remains our first and continuing task; and in a very real sense every major legislative enactment of this Congress should be a component part of it.

"In defining immediate factors which enter into our quest, I have spoken to the Congress and the people of three great divisions:

1. The security of a livelihood through the better use of the land in which we live.
2. The security against the major hazards and vicissitudes of life.
3. The security of decent homes.

"I am now ready to submit to the Congress a broad program designed ultimately to establish all three of these factors of security—a program which because of many lost years will take many future years to fulfill.

"A study of our national resources, more comprehensive than any previously made, shows the vast amount of necessary and practicable work which needs to be done for the development and preservation of our natural wealth for the enjoyment and advantage of our people in generations to come. The sound use of land and water is far more comprehensive than the mere planting of trees, building of dams, distributing of electricity or retirement of sub-marginal land. It recognizes that stranded populations, either in the country or the city, cannot have security under the conditions that now surround them.

"To this end, we are ready to begin to meet this problem—the intelligent care of population throughout our Nation, in accordance with an intelligent distribution of the means of livelihood for that population. A definite program for putting people to work, of which I shall speak in a moment, is a component part of this greater program of security of livelihood through the better use of our national resources.

"Closely related to the broad problem of livelihood is that of security against the major hazards of life. Here also, a comprehensive survey of what has been attempted or accomplished in many Nations and in many States proves to me that the time has come for action by the national Government. I shall send to you, in a few days, definite recommendations based on these studies. These recommendations will cover the broad subjects of unemployment insurance and old age

insurance, of benefits for children, for mothers, for the handicapped, for maternity care and for other aspects of dependency and illness where a beginning can now be made.

"The third factor—better homes for our people—has also been the subject of experimentation and study. Here, too, the first practical steps can be made through the proposals which I shall suggest in relation to giving work to the unemployed.

"The work itself will cover a wide field including clearance of slums, which for adequate reasons cannot be undertaken by private capital; in rural housing of several kinds, where, again, private capital is unable to function; in rural electrification; in the reforestation of the great watersheds of the Nation; in an intensified program to prevent soil erosion and to reclaim blighted areas; in improving existing road systems and in constructing national highways designed to handle modern traffic; in the elimination of grade crossings; in the extension and enlargement of the successful work of the Civilian Conservation Corps; in non-Federal works, mostly self-liquidating and highly useful to local divisions of Government; and on many other projects which the Nation needs and cannot afford to neglect.

"This is the method which I propose to you in order that we may better meet this present-day problem of unemployment. Its greatest advantage is that it fits logically and usefully into the long-range permanent policy of providing the three types of security which constitute as a whole an American plan for the betterment of the future of the American people.

"I shall consult with you from time to time concerning other measures of national importance. Among the subjects that lie immediately before us are the consolidation of Federal regulatory administration over all forms of transportation, the renewal and clarification of the general purposes of the National Industrial Recovery Act, the strengthening of our facilities for the prevention, detection and treatment of crime and criminals, the restoration of sound conditions in the public utilities field through abolition of the evil features of holding companies, the gradual tapering off of the emergency credit activities of Government, and improvement in our taxation forms and methods."

"The ledger of the past year shows many more gains than losses. Let us not forget that, in addition to saving millions from utter destitution, child labor has been for the moment outlawed, thousands of homes saved to their owners and most important of all, the morale of the Nation has been restored. Viewing the year 1934 as a whole, you and I can agree that we have a generous measure of reasons for giving thanks.

"It is not empty optimism that moves me to a strong hope in the coming year. We can, if we will, make 1935 a genuine period of good feeling, sustained by a sense of purposeful progress. Beyond the material recovery, I sense a spiritual recovery as well, The people of America are turning as never before to those permanent values that are not limited to the physical objectives of life. There are growing signs of this on every hand. In the fact of these spiritual impulses we are sensible of the Divine Providence to which Nations turn now, as always, for guidance and fostering care."

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[top of page](#)

[home page](#)