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In-Depth Coverage

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This Week

Democrats, Wake Up!

Lyndon H. LaRouche, Jr. charges that the British Labour Party government and the Bush-Cheney maladministration, have committed repeated grossly impeachable offenses, but our Congress and political parties are afraid to confront the financier power behind the hedge funds, in order to save the nation.

Only Four Powers Can Stop World War

A war-avoidance policy starts with recognizing the need for reorganizing the bankrupt global monetary-financing, and with impeaching Dick Cheney. The first requires an alliance among the United States, Russia, China, and India. The second requires some courage on the part of the Democratic Party in the Congress.

LaRouche in Russia

In the Lens of Menshikov's 80 Years: Russian-U.S. Relations:

A Strategy for War-Avoidance

Lyndon LaRouche was a guest of honor at the 80th birthday celebration of Russian economist, long-range planner, and intellectual maverick Stanislav Menshikov. LaRouche spoke about his efforts in the United States to bring about a positive American response to the Russian government's own current campaign to revive the policies of FDR.

Looking Ahead: Russia And the World in 2027

A speech by Prof. Stanislav Menshikov at this 80th birthday celebration. He emphasized that the only real source of growth of Russia will be capital investment in new technology, while noting that the optimum plan would be LaRouche's Land-Bridge linking the Americas and Asia.

U.S.A. and Russia Can Change History

Lyndon LaRouche's remarks at the Russian Academy of Sciences in Moscow in honor of Prof. Stanislav Menshikov's 80th birthday.

Three Toasts Offer a Charge of Optimism

Toasts to Menshikov by Dr. Sergei Glazyev and Academician Alexander Granberg, and remarks by Menshikov himself.

LaRouche, on Moscow TV, Outlines Four-Power Strategy for War Avoidance

Economist Mikhail Khazin, host of the 'A+ in Economics' weekly program on the Spas Channel, interviewed LaRouche in Moscow on May 16.

International

Two Very Different Meetings: EU-Russia Summit in Samara; LaRouche Mission to Moscow

By Helga Zepp-LaRouche.

While the EU-Russia meeting ended with an open conflict between German Chancellor Angela Merkel and Russia's President Vladimir Putin, confirming that no positive contribution is to be expected from Europe at this time, the meetings held by Lyndon LaRouche in Moscow were a complete contrast.

Sarkozy Regime Is 'Break With French History'

Former French Presidential candidate, Jacques Cheminade condemned the stated policies of the newly elected French government of President Nicolas Sarkozy.

London's 'Democratic Party' Is Pro-Globalization, Anti-FDR

LaRouche Youth Bring FDR Policies to Italy

National

FDR's Economic Policies Endorsed: Massachusetts Dems Call for Double Impeachment

Two resolutions introduced by the LaRouche Youth Movement at the Massachusetts Democratic Convention brought excitement to the delegates, and will have a national impact.

LaRouche Open Letter to Washington Post

Lyndon LaRouche explains why the Constitution must not be changed to allow foreign-born candidates to run for President.

The Research Is In: Violent Video Games Can Lead to Violent Behavior

An interview with Craig Anderson.

LaRouche: Video Games Produce Killer Zombies

Economics

Fed Warned: Housing Collapse Is Much Worse Than Bernanke Says

Reports on U.S. housing sales for April showed an accelerating loss of 'market values' in the housing bubble, undermining huge volumes of mortgage-backed securities and bank assets based on mortgages, and driving a growing wave of foreclosures.

Gore Makes Killing on AIDS; Nations Say No

'Don't Bet on Man-Made Origins of Global Warming'

An interview with Piers Corbyn.

As World Goes Nuclear, Why Doesn't Germany?

Feature

Man & the Skies Above

Lyndon LaRouche asks: 'Do we have presently, a sufficient number of persons who are willing to think creatively, as I propose, and who also possess, therefore, the will to act in ways to ensure that civilization turns back the onrushing threat of a global new dark age already descending upon Earthly mankind?' Or, 'Is it, perhaps, already too late to be able to return now to the policies of former U.S. President Franklin Roosevelt?'

Interviews

Craig Anderson

Dr. Anderson is a professor of psychology at Iowa State University, one of the three authors of *Violent Video Game Effects on Children and Adolescents: Theory, Research, and Public Policy*.

Piers Corbyn

An astrophysicist, Dr. Corbyn is the originator of the revolutionary solar weather technique of long-range forecasting and a founder of Weather Action Long Range Forecasters.

Departments

Banking

Lipstick on the Pig

Editorial

The Base Has Spoken: Impeach Cheney!

U.S. Economic/Financial News

2006 Job Creation Figures a Lie; Layoffs Hidden

May 23 (EIRNS)—Challenging the strange job statistics of the Commerce Department's Bureau of Labor Statistics (BLS), an economic research firm says nearly half of the 2006 "job creation" in the U.S. economy didn't exist.

For the second and third quarters of 2006, for example, not 888,000, but only 485,000 jobs were created in that six-month

period, said Stone and McCarthy Research Associates. For just the third quarter, the actual job creation was just 19,000 total, when the BLS figures claimed 498,000! The reason is that the BLS was making assumptions of a very high rate of formation of new small businesses, assumptions which have been shown to be dramatically over-optimistic by new data just issued by the BLS itself. The huge drop gives an idea how large a share of those "newly created jobs" you hear about each month, are actually *assumed* rather than counted or surveyed.

And that is not all of this coverup. Stone and McCarthy think the over-reporting has continued up to now, perhaps worsened. They observe the apparent lack of any significant drop (in BLS monthly reports) in residential housing employment, when that sector has, in fact, tanked. Housing construction has fallen more than 15% in the year up to April 2007, while BLS data on residential housing jobs have hardly changed. Since foreign-born workers accounted for 45% of all national job growth last year, even more in states like California, Texas, and Louisiana with very active home construction in 2006, if a large number of those workers were undocumented immigrants, their layoffs in 2007 would not be registering at all, either in payroll jobs figures, or the unemployment rate.

With a collapsing housing bubble and plunging auto production and sales—the two biggest U.S. employment drivers—and falling retail sales, etc., many economists, not just Stone and McCarthy, have been trying to figure out where the Fed and the White House have been "manufacturing" employment statistics.

Merrill Lynch in Frenzied Race to Oblivion

May 22 (EIRNS)—Merrill Lynch, the giant stock brokerage/investment bank, has made its second hedge fund "investment" in eight months, taking a minority stake in GSO Capital Partners, a firm which specializes in loans to companies with bad credit ratings and other "distressed" investments, Bloomberg reported. GSO, of New York, London, Houston, and Los Angeles, is run by Bennett Goodman, who got his start at the Drexel Burnham Lambert dirty-money junk-bond shop.

Last October, Merrill Lynch bought a minority stake in DiMaio Ahmad Capital, and last month agreed to invest in a new fund being started by Dow Kim, Merrill's departing co-head of trading and investment banking. Merrill Lynch already owns half of BlackRock Inc., the largest publicly traded U.S. fund manager.

Merrill Lynch is trying to keep up with Morgan Stanley, Lehman Brothers, Citigroup, and JP Morgan Chase, which have all been expanding their hedge fund business in a frenzied race to oblivion.

Bondholders Howl Over Sally Mae Takeover

May 22 (EIRNS)—Bondholders were "ambushed" by last month's \$25 billion takeover of SLM Corp., the student loan company known as "Sally Mae," by a group including JP Morgan Chase, Bank of America, J.C. Flowers, and Friedman Fleischer & Lowe. The leveraged buy-out will significantly increase Sally Mae's debt load, and the deal has caused the interest rates of finance company debt to rise. Bonds sold by finance companies have lost some \$5 billion since the deal was announced, and the increase in yields the companies must pay on their debt has risen by \$1.4 million in annual interest to sell \$1 billion in debt, according to *Bloomberg*.

In a "leveraged buy-out" (LBO), the targetted company is usually saddled with huge debts as the predator group cashes out, but finance companies, which live on the difference between what they pay for the money they borrow and what they charge for loans they make, and thus need high credit ratings, had previously not been considered LBO targets. Finance companies represent 40% of the \$2 trillion U.S. corporate bond market. With the financial system choking on its own debt, takeovers are increasingly being used to hide bankruptcy, and sometimes the rescue operations do almost as much damage as letting a company blow up.

More Oil Cartel Price-Gouging? BP Cuts Alaska Production

May 22 (EIRNS)—Oil giant BP has shut down one quarter of its 400,000 barrels-per-day production at Prudhoe Bay, Alaska, after discovering a "produced water" spill May 21, according to Reuters. Produced water is water trapped in underground formations and brought to the surface with oil or gas. BP, formerly known as British Petroleum, gobbled up American oil companies Amoco and Atlantic Richfield in the last decade, and has seen a number of disasters at its facilities, from a deadly explosion at its Texas City refinery in 2005 to an oil spill at Prudhoe Bay in 2006. U.S. Rep. Bart Stupak (D-Mich.), head of the investigations arm of the House Energy and Commerce Committee which is examining the 2006 spill, blamed budget cuts at BP for the incidents. "It appears to be yet further evidence that BP's cost-cutting culture has put our nation's economy at risk," Stupak said.

Gov. Rendell: Give Us a Federal Capital Budget

WASHINGTON, May 24 (EIRNS)—"America will never cure its infrastructure deficit until we adopt a Federal Capital Budget." So insisted Pennsylvania Gov. Ed Rendell (D) today at a House Highways and Transit subcommittee hearing on the subject of public private partnerships (PPPs, or P3s) financing for infrastructure projects. Subcommittee chairman Rep. Peter DeFazio (D) acknowledged that capital budgeting is the solution, yet succumbed to his own pessimism, saying, "I hope we get there someday."

DeFazio has criticized the use of P3s for allowing private speculators to loot public infrastructure. But when DeFazio challenged Rendell on his plans for a P3 deal for the Pennsylvania turnpike, the governor shot back, "Are you going to give me a Federal capital budget?" DeFazio dodged the question and pressed Rendell for assurances that if Pennsylvania enters into a P3 deal, it would protect the public interest. Undeterred, Rendell responded, "If you're not going to give us a Federal capital budget, then we have no alternative." Rendell reviewed the extent of Pennsylvania's transport infrastructure deficit which, uncorrected, is costing lives and dollars, and said that to meet his state's funding gap to fix roads, bridges, and public transit, he'd have to raise gas taxes another 12 cents a gallon. Rendell acknowledged problems with P3s, but concluded: "Let me be clear. The Federal government's refusal to establish a capital budget" for infrastructure leaves the states with no alternative to fund these critical projects. "If I could have avoided it, I would have. We have a serious problem and we have to do something."

As LaRouche Warned, GM Is 'Effectively Bankrupt'

May 24 (EIRNS)—GM confirmed for the first time on May 22 to auto analysts that Cerberus Capital Management, which just carried out a private equity takeover of Chrysler, has pulled out of the bid by a consortium of hedge funds to buy control of the bankrupt auto supply company Delphi.

GM then, on May 23, increased its own estimate of what it will have to kick in for Delphi's labor-retirement and other costs, to \$7 billion. And GM announced it would take an immediate \$1 billion charge against its earnings in this quarter, and borrow another \$1.1 billion in junk bonds. Delphi was the parts division of GM until 2000.

Auto industry sources think that GM is throwing this \$1 billion into the 18-month-old negotiations between Delphi and the United Auto Workers (UAW), taking place in bankruptcy court in New York, to finally get a settlement in the near future. This would clear the decks for the "Big Three" automakers to confront the UAW and demand "transformational" concessions from the union in national contract talks this Summer. Under Cerberus' ownership, Chrysler will lead that confrontation.

GM's condition is now "effective bankruptcy," as Lyndon LaRouche warned in February 2005 that it would be, under continued economic policies. From 1999-2006, GM's gross profits have declined from \$40 billion to \$22 billion, while its debt has grown from \$199 billion to \$450 billion. In just three years, its debt-interest expenses have risen from \$9 billion to a projected \$18 billion this year. Its auto sales have shrunk by 2% globally, and 7% in the United States.

During the six months that Cerberus appeared to be leading a hedge-fund syndicate to buy Delphi, it carried out financier Felix Rohatyn's original 2005 restructuring plan for that company. The Steering Division was sold off to Platinum Partners hedge fund; the Interiors Division was sold off to private equity vulture Renco Group, Inc.; two more of the remaining plants in Michigan and Ohio were closed, and closing of a third, in Moraine, Ohio, was announced; the early-retirement buy-out of 22,000 out of 34,000 union workers was completed. Delphi announced, in late April, that it intended to emerge from bankruptcy as primarily "an information technology company," rather than an auto supplier. That "stripping and flipping" work done, Cerberus withdrew, leaving the actual ownership of the post-bankrupt shell to the other hedge funds and banks—and the longer-term expenses to GM.

World Economic News

Peru Goes Big with Uranium Mining

May 25 (EIRNS)—Uranium-rich Peru is now ready to go big with the mining of its uranium resources to feed the growing hunger for nuclear power across the world, *Industrial Info Resources of Texas* of May 25 reports.

A joint venture formed by the Canadian Vena Resources and Cameco Corporation has concessions mainly in the southeast region of the country, the Macusani, where uranium reserves are estimated at 66 million pounds. Cameco is to invest \$10 million in exploration; if the results are successful, the firm will perform a feasibility study for the construction of a \$500 million plant to produce dressed uranium. Other companies such as Cardero Resources, Solex Resources, Frontier Pacific Mining, Strathmore Minerals, and Wealth Minerals are currently exploring Peru's central and northern areas.

The price of each pound of uranium has increased four times in one year, due to the intensified demand for the construction of new nuclear power plants. At present there exist 442 nuclear reactors in the world; 251 new ones are being planned or under construction. This increase in the demand for nuclear plants coincides with the world need to generate electricity.

Lower Oil Prices Would Burst Financial Bubble

May 25 (EIRNS)—A European financial source warned today that the most effective way to burst the financial bubble would be lower oil prices, which would cause massive movements of capital that would lead to a huge financial crisis. This situation has grown out of the Iraq War, during which huge funds have invested in high war-risk premiums, such as the high oil prices. Thus, if peace breaks out, and the price of oil goes down, the bubble could burst.

Yen Carry Trade on the Brink: OECD Warns Japan Not To Raise Rates

May 24 (EIRNS)—With Japanese financial institutions threatening to end the hedge funds behind the yen carry trade (*Japan Daily*, May 24) the Organization for Economic Cooperations and Development (OECD) issued a report saying: "The Bank of Japan should not raise the short-term policy interest rate further, until inflation is firmly positive and the risk of renewed deflation becomes negligible." The OECD worry is clearly not inflation, but the deadly threat to the hedge funds if Japan carries through with threats to end the speculation in cheap yen.

Lyndon LaRouche warned in February that the yen carry trade was in big trouble, and that "the multiplier effect of the blowout of the carry trade is going to mean that the crisis hits with a magnitude far beyond any individual nation or currency. This will bring down the whole post-Bretton Woods floating-exchange-rate system." But LaRouche added, "Let it happen. The system is doomed under any circumstances, and we know what must be done to create a new, stable financial system, based on the principles of Franklin Roosevelt's original Bretton Woods System. I am ready with a recipe for precisely how to solve this crisis. Are you?"

Japan Financial Daily: Hedge Funds Greater Threat Than Terrorism

May 22 (EIRNS)—The failure of a large hedge fund could plunge the global financial system into a crisis, Japan's *Asahi Shimbun* newspaper warned in an editorial May 21. "The case for close scrutiny of hedge fund activities is strong," the paper said, noting that "many corporate pension funds and investment trusts are putting their money into hedge funds. This means that hedge funds are no longer affecting only the shady world of high-rolling speculators and that they have nothing to do with ordinary citizens. We want to know more about how these hedge funds are operated." What investments in which markets are the hedge funds making with their \$1.5 trillion; how much money are they borrowing from financial institutions; and how much of the yen carry-trade borrowing are the hedge funds doing?

"If hedge funds are linked to the operations of financial institutions to the extent that the risks hedge funds are taking on pose a serious threat to the health of those financial institutions, then the financial regulators of major countries should instruct such financial institutions to ensure their relations with the funds are safe and sound. If the yen carry trade is generating excessive liquidity worldwide, thereby increasing risks in financial markets, the Japanese fiscal authorities need to consider policy responses to the problem," the editorial said.

The *Asahi Shimbun* endorsed the continued discussion of hedge fund regulation at the G-8 summit in Heiligendamm, Germany June 6-8, saying "it is essential for nations to join together to grapple with the policy challenges posed by hedge funds from the viewpoint of protecting the health of crucial markets."

United States News Digest

Foolish Democrats Pass 'Cheney/Netanyahu Bill' vs. Iran

May 24 (EIRNS)—On May 23, the House Financial Services Committee passed—in almost record time—The Iran Sanctions Enabling Act of 2007. According to a press release from the office of the committee chairman, Rep. Barney Frank (D-Mass.), the legislation will:

"Require the U.S. government to publish a list every six months of those companies that have an investment of more than \$20 million in Iran's energy sector. This comprehensive list will provide investors with the knowledge to make informed investment decisions as well as a powerful disincentive for foreign companies to engage with Iran.

"Authorize state and local governments to divest the assets of their pension funds and other funds under their control from any company on the list.

"Provide a safe harbor to fund managers, managers of mutual funds and corporate pension funds who divest from companies on this list from actions by shareholders.

"Establishes a Sense of the Congress that urges the Thrift Savings Plan to offer a terror-free investment option for

government workers."

The LaRouche Political Action Committee (LPAC) has exposed this bill as the spawn of Dick Cheney and Israeli fascist Benjamin Netanyahu. (See Southwest Asia digest)

Bipartisan Senators Push Iraq Study Group Recommendations

May 24 (EIRNS)—Senators Lamar Alexander (R-Tenn.) and Ken Salazar (D-Colo.) announced from the Senate floor today that they plan to introduce an Iraq Study Group Recommendations Act of 2007 in June. The act calls on the Bush Administration to implement the Iraq Study Group's recommendations. The four co-sponsors of the bill are Mark Pryor (D-Ark.), Bob Bennett (R-Utah), Robert Casey (D-Pa.), and Judd Gregg (R-N.H.).

Cheney Space-War Policy Assailed at House Hearing

WASHINGTON, May 24 (EIRNS)—The Bush-Cheney Administration's "unilateral and aggressive" National Space Policy was roundly attacked in a hearing held, on May 23, by the National Security Subcommittee of the House Oversight and Government Reform Committee. This was the first such hearing since the policy doctrine was released quietly in October 2006.

Subcommittee chairman John Tierney (D-Mass.) noted in his opening statement, that although over the years the United States has taken international leadership in promoting cooperation among nations for the peaceful use of space, the 2006 National Space Policy "treats space as one more battlefield" in which the U.S. will oppose any new legal regimes or restrictions which limit U.S. access or use of space for any purpose, including military.

Maj. Gen. John Armor, the Director of the DOD's National Security Space Office, reiterated the administration's policy of potentially taking preemptive military action against adversaries, declaring that the U.S. "will take actions necessary to preserve its rights, capabilities, and freedom of action in space, including denying, if necessary, adversaries the use of space capabilities hostile to U.S. interests." This is remarkably similar to the rejected 1991-92 Defense Policy Guidance drawn up by Dick Cheney, Paul Wolfowitz, et al., which said that the United States could take preemptive action against any nation or group of nations which threatened U.S. global hegemony.

Witness Nails White House, DOJ in U.S. Attorney Firings

WASHINGTON, May 23 (LPAC)—Monica Goodling, the former White House liaison for the Department of Justice, testified today that the White House had signed off on the firings of U.S. Attorneys, and that both the Deputy Attorney General and the Attorney General himself had given false testimony to Congress.

And Goodling, a 33-year old member of the right-wing Federalist Society, testified that "I know I crossed the line" in using political criteria in the hiring of DOJ civil service personnel, while hastening to add that she had not "intentionally" violated the law. Before acknowledging this, Goodling had admitted that she had attempted to block the hiring of one prosecutor because his resume indicated he was a liberal Democrat.

At the outset of her testimony before the House Judiciary Committee, given under a grant of immunity, Goodling unloaded on former Deputy Attorney General Paul McNulty, who had blamed her for withholding information from him, which, he claimed, led him to give misleading testimony to the Senate Judiciary Committee. "That allegation is false," she testified. "I did not withhold information from the Deputy."

She went on to say that McNulty's Senate testimony "was incomplete or inaccurate in a number of respects," and that "he was not fully candid about his knowledge of White House involvement" in the firing of the Federal prosecutors, and she then identified three additional areas in which McNulty's testimony had also been false.

Goodling further testified that McNulty didn't fully reveal what he knew about the role of the White House in the firings, because "he was aware that the [Justice] Department had worked for at least several months with the White House, and that many offices in the White House had signed off" on the firings, and beyond this, that people in the White House were "participating and making phone calls and different sort of things."

Senators Demand Gonzales Hand Over Wiretap Documents

May 22 (EIRNS)—"The stonewalling by you and the administration must end," Attorney General Alberto Gonzales was told today by Sen. Patrick Leahy (D-Vt.), the chairman of the Senate Judiciary Committee, and Sen. Arlen Specter (R-Pa.), the senior Republican on the committee, as they demanded that Gonzales finally turn over the documents concerning the administration's warrantless wiretapping program.

In a letter to the Attorney General, Leahy and Specter wrote: "This Committee has made no fewer than eight formal requests over the past 18 months—to the White House, the Attorney General, or other Department of Justice officials—seeking documents and information related to this surveillance program.... You have rebuffed all requests for documents and your answers to our questions have been wholly inadequate and, at times, misleading."

"Your consistent stonewalling and misdirection have prevented this Committee from carrying out its constitutional oversight and legislative duties for far too long," the Senators stated, in setting a deadline of June 5 for Gonzales to provide them with documents concerning President Bush's authorization and re-authorization of the domestic surveillance program, including analysis and legal opinions. And, providing for the possibility that the surveillance program that former Deputy Attorney General James Comey was discussing in the previous week's testimony was something different, and broader, than the program that the Administration has so far acknowledged, Leahy and Specter asked for those documents as well.

Waxman Calls Hadley To Testify on Niger Yellowcake

May 22 (EIRNS)—The office of Rep. Henry Waxman (D-Calif.), chairman of the House Committee on Oversight and Government Reform, on May 21 released a copy of Waxman's May 11 letter to National Security Advisor Stephen Hadley, calling on him to appear before the committee for a deposition on May 18.

The letter says, "The deposition is part of the Committee's investigation into why President Bush and other senior Administration officials cited forged evidence in building a case for war against Iraq. The deposition will examine whether White House officials overstated Iraq's efforts to obtain uranium from Africa and its nuclear threat."

On May 14, Waxman announced along with that former CIA Director George Tenet will appear, along with Secretary of State Condoleezza Rice, at a hearing June 19, to discuss the same matter of forged evidence—i.e., the claim that Iraq attempted to buy African uranium—that Hadley is being called to testify about. UPI reported on May 15 that Waxman wants to "be able to ask Tenet himself whether they had a conversation about the claim, which was sourced by the president to 'British intelligence.'"

Ibero-American News Digest

LaRouche, Mexican Union Leader To Hold Second Webcast

May 26 (EIRNS)—On June 14, Democratic Party political leader Lyndon LaRouche and Agustin Rodríguez, Secretary-General of the trade union of Mexico's National Autonomous University (STUNAM) and an executive of the National Workers Union (UNT) labor federation, will hold their second public international dialogue via Internet (the first took place in November 2004). The main topic will be "Globalization Equals Fascism. We Need a New Bretton Woods Now!" The dialogue will be broadcast on www.larouchepac.com and www.larouchepub.com at 12 noon EDT, with simultaneous Spanish-English translation.

This second international dialogue could not be more timely, coming just as the promoters of globalization are provoking ungovernability in France, the U.S., Mexico, and other nations, the announcement issued jointly by *EIR*, the LaRouche Youth Movement, and the STUNAM states. "Structural reforms and the fairy tales about global warming are key elements in the globalization strategy that the Anglo-Dutch financial oligarchy has been so ruthlessly imposing, in order to destroy the sovereignty of all nations and impose regimes far worse than Adolf Hitler's."

Because those in power have rejected LaRouche's call for creating a new world monetary system premised on a return to the economic tradition of Franklin Delano Roosevelt, LaRouche has become "the only valid interlocutor in the United States for dialogue and discussion of solutions both inside and outside that country," the release notes.

"Globalization in Mexico, brutally imposed from the time of Carlos Salinas de Gortari's regime, has destroyed the nation's monetary sovereignty, its local industry and agriculture; it has forced more than 10 million people to emigrate, and has impoverished 90 percent of the population. Mexico has been turned into a satrap of the speculator sharks who, in order to sustain their rate of looting of Mexico's physical assets as well as its labor force, must eliminate the last organized redoubts of nationalism, such as trade unions and other institutions. This is why they are applying 'social security and labor reform.'"

Mexican Workers Say 'No' to Social Security Privatization

May 22 (EIRNS)—Sectors of Mexico's National Workers Union (UNT) went out on strike May 21, demanding revocation of the reform passed last March, which privatized pensions of public-sector workers affiliated with the Mexican Social Security and Services Institute (ISSSTE). The 12-hour strike was led by Agustin Rodríguez, head of the trade union of Mexico's National Autonomous University (STUNAM), who is organizing a dialogue with LaRouche on June 14.

The strike succeeded in shutting most UNAM classes in the Federal District, as well as in 17 other states where the UNAM has campuses, according to *El Sol de México*. Strikers blocked main streets into the Federal District, and gathered at the downtown Zocalo plaza, to warn that they will not accept the ISSSTE reform. Rodríguez warned that the government rammed through the reform "without consulting us," and that if it remained in place, would represent a gross violation of "individual and constitutional rights of all workers."

The Calderón government justified the reform as a way to "cleanse" ISSSTE's finances, modernize medical services and hospitals, and guarantee better pensions. In reality, the reform is a warmed-over version of what the Pinochet dictatorship did in Chile in 1981. Calderón has created private retirement accounts, while *raising* the retirement age by 10 years for 2.6 million school teachers and Federal employees. The boondoggle even includes "recognition bonds," which supposedly compensate workers for contributions already made to the public system. Chilean workers also received recognition bonds, which turned out to be another part of the Pinochet swindle that robbed them of their pensions. Calderón was able to get his privatization scheme through in March by buying off key unions, by offering them "control" over their privatized pension funds.

Paraguayan President: Bank of the South 'Is a Reality!'

May 23 (EIRNS)—Paraguayan President Nicanor Duarte Frutos emerged from a May 22 meeting of Finance and Foreign Ministers of the Common Market of the South (Mercosur), to proclaim that the Bank of the South "is a reality ... born of a necessity long since warned about on this continent."

Joining Duarte outside the meeting in Asuncion, Argentina's Finance Minister Felisa Miceli happily announced that the political decision to create the bank—which will function independently of the International Monetary Fund—"has been made."

First agreed upon in a Feb. 21, 2007 meeting between Venezuelan President Hugo Chávez and Argentine President Néstor Kirchner, the Bank of the South has taken shape in a series of regional meetings held since then, and will culminate with the its official founding on June 26 in Caracas, Venezuela.

The bank's primary purpose will be to finance regional infrastructure projects. Argentina's Miceli explained that it will function as "a financing instrument for Latin American integration." Each member nation will contribute a portion of its reserves to make up its initial operating capital of \$7 billion." Miceli said that the membership can eventually be broadened "to all those comprising the Union of South American Nations, Unasur."

Venezuelan Finance Minister Rodrigo Cabezas told the Argentine news agency Telam that the idea behind the bank is for South America to promote its own development without "adult supervision," referring to the International Monetary Fund and other lending agencies controlled by the U.S. and Europe.

"In the 1990s, the IMF told us what to do and what not to do," he said. "Now, that cycle is finished. The bank will be run by its own members."

Kirchner Defies the Oligarchy by Promoting Real Science

May 24 (EIRNS)—As he inaugurated the new Nuclear Diagnostic Center in Buenos Aires May 23, Argentine President Néstor Kirchner charged that the neo-liberal policies imposed on his country in the 1990s "not only looted our patrimony as a State, as a nation and a country, but also stripped us of our neurons," referring to the gutting of the science and technology budget at that time that forced thousands of highly trained scientists to emigrate in search of decent-paying jobs. Things were so bad, he noted, that when he visited one research center in 2002, before he became President, the youngest researchers "were 50 years old!... Our youngsters were emigrating; those neurons so vital for the rebuilding of a country in a strategic direction, were leaving ... because no one in this Argentina would give them the space they should have been given!"

Kirchner caustically pointed out that for "certain sectors of the Argentine intellectual community" and those "supposed thinkers" who claimed to be building a nation in the 1990s, investment in science "was merely an unproductive public expenditure." This was criminal, he said, recalling the remarks of Domingo Cavallo, the Harvard-trained Finance Minister of the Carlos Menem Presidency (1989-1999), who once said that scientists would do better to work as dishwashers than researchers. Cavallo, Kirchner said, although he didn't name him openly, "dishonored us, and made us feel ashamed of ourselves.

The opening of the Nuclear Diagnostic Center "is tremendously important," Kirchner added. "What we have here today, and which doesn't exist elsewhere in South America, must be multiplied." Moreover, he elaborated, here "we also see the participation of a proactive State, and the State must be present. It cannot be absent" in promoting research and development. "Let us not be afraid of the State's active participation," he added. "The State can be good, bad, less good,

less bad, but if we continue to fill the State with content and quality, in the end it produces very positive results."

Kirchner warned that it is time to realize that scientists must be paid the wages they deserve. Even today, scientists' wages "continue to be far from those that encourage the hopes and motivations that all human beings must be paid when they are fully dedicated to certain tasks, not to mention this particular type of work." It's no good to say "we have spectacular human resources, but then treat them as if they were fourth-rate resources. Argentines must understand this."

Tiny Uruguay To Go Nuclear; Will Giant Brazil Stop Stalling?

May 26 (EIRNS)—Uruguay's Industry Minister Jorge Lepra and Beno Ruchansky, head of the National Electricity Transmission Agency, left for Finland May 11 with clear instructions from President Tabare Vasquez to study the possibility of building a nuclear plant in Uruguay. The two ministers were scheduled to visit the nuclear plant in the Finnish city of Rauma, whose 1,500-1,600 MW generating capacity is exactly what Uruguay would need to supply electricity to its population of 3 million.

In Chile, there is growing support for developing nuclear energy, and it was a leading item on the agenda of the May 15 meeting in Santiago of the Chilean-Russian Inter-Governmental Cooperation Commission. The same day, the University of Santiago sponsored a seminar on "Nuclear Energy in Russia," where Russian nuclear scientists emphasized Russia's ability to build small reactors able to supply electricity to cities of 300,000 people.

The glaring omission when it comes to forward motion in this area is Brazil, which already has two functioning nuclear plants, but whose President Lula won't make the command decision required to end the paralysis on moving forward. Environmental Minister and Al Gore admirer Marina Silva says Brazil can do just fine with hydro, wind, and biomass, but on May 16, the Secretary of Energy Planning and Development at the Ministry of Mines and Energy, Marcio Zimmermann reported that Brazil needs between four and eight nuclear plants between now and 2030, and the country's National Energy Plan contains provisions for their construction. "I think nuclear energy will become reality," Zimmermann said. "The world has awakened" to the need for it. "It's an option that the country has to develop for the future."

President Lula's June 3-6 state visit to India, where New Delhi sources report a discussion on commercial nuclear collaboration is at the top of the agenda, may help tip the balance back to sanity.

Western European News Digest

Litvinenko Murder Indictment Is British Move vs. Russia

May 23 (EIRNS)—London's Crown Prosecutor's office yesterday indicted a Russian citizen for the death of Alexander Litvinenko, a former Russian intelligence (FSB) official, and the bodyguard of Russian fugitive oligarch Boris Berezovsky. The British government demanded from Moscow the extradition of Russian citizen Andrey Lugovoy for the murder of Litvinenko.

The British intent is clearly political. Under the headline, "Facing Up to a Reckless Russia," the *Financial Times* writes: "Europe and the U.S. need to adopt a policy of robust engagement with Moscow. This has already begun with the UK's action yesterday and with German Chancellor Angela Merkel straight-talking to Mr. Putin at an EU-Russia summit last week."

In Moscow, the Attorney General rejected the extradition request. The Crown Prosecutors base their accusations on the

fact that Lugovoy met Litvinenko in London before Litvinenko discovered (or, announced) that he had been poisoned. Police have not yet been able to provide a motive for the murder.

British prosecutors could look in the direction of another man who met Litvinenko the same day as Lugovoy—Litvinenko's Italian crony Mario Scaramella. Scaramella sits in an Italian jail, accused of having fabricated, together with Litvinenko, dossiers with false information aimed at slandering Italian politicians who opposed neo-con policies, including current Premier Romano Prodi. Scaramella was an advisor to Sen. Paolo Guzzanti, chairman of a parliamentary committee to investigate past KGB activities in Italy. The committee was set up on the basis of a report by KGB archivist Vassily Mithrokin, released by Britain's MI6 foreign intelligence agency.

Among the other concoctions, Scaramella and Litvinenko had fabricated a Russian plot to kill Guzzanti, to give credibility to their anti-KGB investigations. Yesterday, an Italian court established that four Ukrainians arrested in Italy for this "plot," are innocent, and that the murder plot was an invention.

Gas Industry Rejects EU Face-Off with Russia

May 24 (EIRNS)—In a demonstrative act of dissent against the Western geopoliticians who turned last week's EU-Russia Summit into a Cold War-style showdown, leaders of the three biggest gas companies in Europe issued a joint statement in Berlin yesterday, reaffirming their commitment to expanded cooperation with Russia. According to a front-page report in today's *International Herald Tribune*, the gas industrialists called for greater political support for increased business ties with the Russian energy giant Gazprom, saying growing tensions between Moscow and the European Union should not be allowed to jeopardize energy security.

"It is about long-term contracts, infrastructure joint ventures and asset swaps," said Uwe Fip, senior vice president of E.ON Ruhrgas. Edouard Sauvage, vice president of the supply division of Gaz de France, said the strategy toward Russia was to have reliable and secure contracts for energy delivery. "Russia is our neighbor," said Jean-Marie Devos, secretary general of Eurogas, the agency that represents the industry. "We should take energy on its own merits and not let the political climate affect it." E.ON Ruhrgas, the only non-Russian company to have a seat on Gazprom's board, is part of the Russian-German consortium building the \$12.1 billion North European Gas Pipeline, which will allow Russia to bypass Poland by sending gas to Europe under the Baltic Sea. This project "needs political support, otherwise no one will take the risk," Fip said.

Next British PM Brown Is 'The Tax Avoiders' Chancellor'

May 19 (EIRNS)—Gordon Brown, who is set to succeed Tony Blair as British Prime Minister on June 27, has taken the lead, in his ten years as Chancellor of the Exchequer, in making British Commonwealth "offshore centers" safe havens for wealthy individuals and corporations avoiding taxes; Brown has also made London itself such an "offshore center." Thus both the British head of government and the U.S. Ambassador to the European Union (C. Boyden Gray) will be resolute opponents of any actions by European government—or the U.S. Congress—to crack down on the tax avoidance and outright tax evasion through those centers. It costs the U.S. and European governments hundreds of billions of dollars in tax revenue every year.

The British Tax Justice Network (TJN), a group of "veterans" of international economics who expose the scope and methods of tax dodging through globalization, have published a dossier on Brown, "The Tax-Avoiders' Chancellor." TJN reports that so-called "high net worth individuals" have \$11 trillion stowed in offshore centers for tax avoidance—not to mention the use of these centers for tax avoidance by multinational corporations, hedge funds, etc.

Italy: Trade Unions Mobilize vs. Shipyard Privatization

May 19 (EIRNS)—Italian trade unions are mobilizing against government plans to privatize Italy's largest shipbuilding company, and to outsource more than 30,000 jobs. The National Coordination committee of the metalworkers union Fiom-CGIL denounced plans to sell 49% of the shares in Fincantieri on the stock market, as a plot to bankrupt the company. A white paper issued by the committee points out that the annual profit of Fincantieri is only 2%—incompatible with stock-market requirements. To make it "profitable" will require dismantling the productive firm, outsourcing jobs to cheaper labor markets in Romania, and selling the properties for real estate speculation.

Currently, Fincantieri employs 9,300 workers directly, and more than 30,000 indirectly, through subcontracts. Union sources have told *EIR* that the current management has shown a reckless disregard for any improvement of the industrial capital.

The unions are confident that they can defeat the government plan; they operate through a national coordinating committee which includes the mayors of the major shipyard cities, Trieste, Genoa, Ancona, Palermo, Castellammare, and Marghera. Parliament Deputy Andrea Ricci, who supports LaRouche's New Bretton Woods policy, is collecting signatures for a motion to stop the sale of Fincantieri.

Welsh Assembly May Be Headed for Another Election

May 18 (EIRNS)—The Anglo-Dutch Liberal financiers' drive for globalization has created a state of ungovernability throughout Europe. The current state of affairs in Wales, following recent elections, reflects precisely this situation. Following reports that the Welsh Liberal Democrats, with six seats in the 60-seat Welsh Assembly, have suspended talks with the Labour Party in Wales (the largest party, with 26 seats), analysts pointed out that another Assembly election may take place to break the logjam. According to the Welsh law, an assembly government must be formed within 28 days of the election to avoid a new election. According to that law, the government must be formed by May 31.

It has also being mooted that the Welsh Liberal Democrats are now ready to open talks with Plaid Cymru (with 15 seats) and the Conservatives (with 12 seats). "We have given clarity to our position, and what we have said very clearly, is that we wish to see if we can negotiate a strong and robust three-party government for Wales," said Mike German, the Liberal Democratic Party's Assembly leader. "But if we can't do that, obviously we will have to look at other alternatives at the end of it," German added.

One of the reasons why German was less than confident about the new coalition efforts, is because any deal that the Liberal Dems make will have to be endorsed by a special party conference on May 26.

Meanwhile, Welsh Labour leader Rhodri Morgan has said that his party is "not yet resigned to opposition." Another Labour leader, Lord Elis-Thomas, has posed a new challenge by telling BBC, "What is important to me from a constitutional point of view, is that we should get a government that reflects what the people voted for. We should raise our eyes beyond Westminster, and look at what happens on mainland Europe, look at what happens in New Zealand and other places."

Another Arson Attack Targets Leading German Editor

May 22 (EIRNS)—German newswires report today that the private car of Kai Diekmann, chief editor of Germany's largest mass-tabloid *Bildzeitung*, was destroyed by an anonymous arson attack in Hamburg. The mode of operation resembles about 20 more such attacks on cars and offices of leading businessmen and political prominents in northern German cities such as Hamburg, since the beginning of 2007. The attacks were carried out by adversaries of the upcoming early June G-8

Summit in Heiligendamm, Germany, and although the attack last night in Hamburg has so far not been claimed by any extremist group, a connection with the "anti-G8-summit" campaign is not ruled out.

The arson attacks have been the first pattern of targetted attacks on leaders of business and politics in Germany, since the Baader-Meinhof terrorism of the "strategy of tension" period in the 1970s and 1980s, which then claimed 30 victims. The new terror campaign, which so far has not involved attempted assassinations (which were the modus operandi of the 1970s and 1980s), occurs in the context of fierce global economic-financial warfare over the future of the speculative bubble.

In this fight, Germany is a special battlefield because of the German government's insistence on partial control and transparency of hedge funds. Furthermore, the strong industrial tradition, particularly in machine-building, which makes Germany an ally to any potential FDR-policy revival in the United States, and moreover a crucial trade partner for Russia and the rest of Eurasia, are features that qualify Germany as a target of a new "strategy of tension." The connection between speculative funds and their vested interests in the bubble's survival, and terrorists as their stormtroopers against political adversaries, has been documented in a mass pamphlet ("Schreibtischtäter II"—"Armchair Assassins II"), issued by the LaRouche organization in Germany, more than 100,000 copies of which have been distributed, since mid-March.

Russia and the CIS News Digest

Russia Reopens Lawsuit Against BONY Cronies of Gore

May 18 (EIRNS)—The Russian Federal Customs Service (FCS) filed a \$22.5 billion claim on May 17 against the Bank of New York, related to the money-laundering scandal of 1999, where the bank played a central role in secret transfers. Readers of *EIR* will remember that the case directly involved the Russian friends of then-Vice President Al Gore.

Vladimir Zubkov, FCS deputy head of external affairs, said the claim, related to unpaid taxes on money taken out of Russia, was filed in the Moscow Arbitration Court. A U.S. investigation looking into the case, which goes back to the radical free-market era of the late President Boris Yeltsin, was closed in the United States in 2005, after the bank admitted criminal conduct and reached a \$38 million settlement with Federal prosecutors.

Rice and Putin Agree Only on 'Toning Down'

May 14 (EIRNS)—The only agreement that came out of Secretary of State Condoleezza Rice's May 15 meeting with Russian President Vladimir Putin was "to tone down the rhetoric in public statements, and concentrate on concrete business," Foreign Minister Sergei Lavrov announced. Rice stuck to the Cheney-Bush provocative policies on missile defense in Europe and Kosovo separatism. Lavrov told reporters, "Our stance on missile defense was reaffirmed," and, as for Kosovo, while "it was agreed to search for a solution on Kosovo independence that could be acceptable for all ... there is no such solution immediately in sight."

Russia Formally Suspends Arms Control Treaty For Europe

May 23 (EIRNS)—Russia's First Deputy Prime Minister Sergei Ivanov told a May 23 Moscow press conference that Russia has declared a moratorium on the CFE (Conventional Forces Reduction in Europe) treaty, according to the Russian television program Vesti 24. The statement is a response to provocations from the West, which include plans to station U.S. anti-missile systems in eastern European nations along Russia's border. Ivanov said that Russia will no longer abide by the treaty, until all signatories have ratified it. Russia will not host any foreign inspectors on its territory, nor notify foreign governments about troop movements.

Also on May 23, Foreign Minister Lavrov, visiting Austria together with President Vladimir Putin, said that an "emergency conference on the future of the CFE treaty is urgent."

Japan and Russia Agree To Bridge Hokkaido, Sakhalin to Mainland

May 17 (EIRNS)—Speaking at a May 17 meeting of the Russian Federation Council Commission for Natural Monopolies in Irkutsk, Vladimir Klimenko, head of the Russian Railroads department for liaison with federal and regional authorities, announced that Japan is ready to invest about 300 billion rubles (\$12 billion) to construct a railroad link between Hokkaido, Japan's northernmost island, and the Russian island Sakhalin. Plans already exist for a tunnel under the 43-km-wide Laperouse Strait. There are also plans for a tunnel or bridge to link Sakhalin to the Russian mainland, a distance of 7 km. Klimenko said that Russian Railroads and the Sakhalin authorities are preparing applications for funding from the Russian Investment Fund. This rail link is a prominent part of the famous Eurasian Land-Bridge map published in the 1997 EIR Special Report on the "New Silk Road," along with the recently activated Bering Strait Tunnel plan.

At the same meeting, Klimenko said that Russia would need to spend 61.2 billion rubles (about \$2.5 billion) to upgrade the Baikal-Amur Mainline (BAM) until 2020, where cargo traffic is expected to double by 2015. Some sections will have to be double-tracked and electrified, he said. Russian Railroads can allocate only 2 billion rubles to invest in the BAM 2007-09, and needs investors.

Ivanov Sees 'Military-Industrial Complex' As Locomotive

May 21 (EIRNS)—Russia's military-industrial complex will be the "locomotive" for rebuilding the industrial economy and breaking away from dependence on oil exports, First Deputy Prime Minister Sergei Ivanov said in Moscow on May 18. "Generally, there is every reason to call the military-industrial complex the locomotive of diversification" from oil and gas exports, he said. This "locomotive," which accounts for 30-35% of domestic production, is the key to "re-establishing Russia as a strong, thriving and influential government," Ivanov told members of the Russian Union of Industrialists and Entrepreneurs at the Baumann Institute of Technology in Moscow, Itar-Tass reported.

Ivanov, formerly defense minister, now runs 26 federal projects, primarily for industry and technology. He said that the equivalent of some \$50 billion will be invested in these projects over the next three years, which he called "an impressive sum." The projects will focus on innovation in transport and nanotechnology.

Siberia: Sleeping Resource Giant About To Awaken

May 18 (EIRNS)—"We've got rich reserves of just about the whole periodic table," Alexander Khloponin, governor of Siberia's Krasnoyarsk region, told the *Financial Times* May 18. In what some are calling the "new industrialization," Khloponin told a conference in Krasnoyarsk in February that more than 300 investment projects, totalling \$400 billion, were planned for Russia by 2015-20—two-thirds of it destined for east of the Urals.

Khloponin warned that those projects could not succeed without massive state infrastructure investment—in road and rail links, airports, housing, services—estimated at \$150 billion. These are vital, Khloponin said, to attract new settlers and reverse a declining Siberian population.

Russian Official: HIV Spreading Rapidly

May 15 (EIRNS)—The number of Russians registered as infected with AIDS is rising by 8 to 10% a year, the head of the Russian federal AIDS center, Vadim Pokrovsky, announced at a press conference in Moscow on May 15. Up to 1.3 million

people are infected with HIV, he said, and not only is that number rising, but "there is an increase in the rate at which the epidemic is spreading." Many of the new users are neither intravenous drug users nor homosexuals. Women made up 44% of the new infections last year. And, while, nationally, one out of every 50 males is infected with HIV, in some cities, the rate is now as high as one out of every ten males, with St. Petersburg being the worst affected, Pokrovskiy stated, according to a Reuters news report.

AIDS is just one of the more devastating factors feeding the demographic collapse ongoing in Russia, which for several years has seen its population shrink by more than 1 million a year, "more than double the rate of loss during the period of Stalinist repression and mass famine in the first half of the 1930s," as Russian economist Sergei Glazyev pointed out in his book *Genocide. Russia and the New World Order*, published in English by *EIR* in December 1999.

Ungovernability: Ukraine in Turmoil

May 25 (EIRNS)—Crisis in Ukraine escalated May 24, when President Viktor Yushchenko, installed by the 2004 Bush-Cheney "Orange Revolution," fired General Prosecutor Svyatoslav Piskun, because of Piskun's alleged "political views," widely understood to be loyalty to the Prime Minister, Viktor Yanukovich, the key rival to Yushchenko. Piskun—who has been twice fired and reinstated by Yushchenko himself, forced himself back into his own office, protected by officers of the Interior Ministry. Radio Free Europe/Radio Liberty (a U.S. government-supported news agency) claims that "pro-government" (i.e., Yanukovich) forces of the Interior Ministry clashed with officers of the "pro-presidential [i.e., Yushchenko] State Protection Directorate," putting Kiev into turmoil.

Prime Minister Yanukovich rushed back to Kiev from a trip, and the Ukrainian Parliament was rapidly called into session to attempt to deal with the crisis. Interior Minister Vasili Tsushko called the firing of the General Prosecutor, "an attempted coup d'etat."

By late afternoon on May 25, Yushchenko had signed a decree mandating that the Interior Ministry troops report directly to him, instead of to the government, reports the Russian news service RIA Novosti. There were reports of troop movements, the next day.

However, by May 27, emergency meetings between Yushchenko and Yanukovich had led to an agreement to hold elections in September, thus for the moment avoiding a civil war.

Southwest Asia News Digest

U.S. Arms Shipments to Lebanon Could Be 'Point of No Return'

May 26 (EIRNS)—The fighting between the Lebanese Army and a Sunni terrorist group, Fatah al-Islam, in the Nahr al-Bared Palestinian refugee camp, could become a "point of no return," which brings Lebanon into ungovernability. Lebanese have been attempting to avoid civil war ever since the Syrian Army withdrew two years ago.

Discussions with Washington-based intelligence sources point to a number of critical events unfolding:

* The arrival of three U.S. transport planes full of weapons and ammunition in Lebanon on May 26, could actually worsen the bloodshed. While the official story is that these weapons are to be delivered to the Lebanese Army, one Lebanon specialist cautioned, "Why does the Lebanese Army need three planeloads of weapons to fight a group that has 400-500 fighters?" This specialist noted the weapons could be part of covert shipments to various guerrilla and militia groups, like

the Fatah al-Islam itself.

The real aim of Dick Cheney et al. is to make Lebanon a "failed state," and as such, a potential springboard for other "preemptive" strikes. Another piece of this picture is the plan by NATO to establish a permanent military base in Lebanon at Tripoli, as reported by the Lebanese newspaper *Al-Diyar*, and other sources.

* The siege of the Palestinian refugee camp by the Lebanese Army was approved by the Palestine Liberation Organization through its representative Abbas Zaki. This decision to attack reflects the deterioration of the situation, and may be impossible to reverse, said the above-mentioned Lebanon specialist.

U.S. Intel Community Warned, Iraq Invasion Would Unleash Chaos

May 26 (EIRNS)—The Senate Select Committee on Intelligence released a 229-page report on "Prewar Intelligence Assessments About Postwar Iraq" on May 25. It shows that the intelligence community correctly predicted chaos and civil war, if Iraq were invaded. For example, the warning was conveyed that the Iraqi Army must be kept together. But infamously, the Cheney policy, implemented by Paul Bremer as administrator of the Coalition Provisional Authority in 2003, dissolved the Iraqi Army, throwing the nation into chaos.

The committee staff compiled its data from intelligence community analyses and direct debriefings of intelligence officers and officials of the military, State Department and Iraq-based personnel.

The report concluded that the Administration had been told the following:

* Political Islam might "take root in postwar Iraq, particularly if economic recovery were slow and foreign troops remained in the country for a long time."

* "Militant Islamists in Iraq might benefit from increases in funding and popular support and could choose to conduct terrorist attacks against US forces in Iraq."

* "Use of violence by competing factions ... Sunni against Shia ... Kurd against Arab; any against the United States—probably would encourage terrorist groups to take advantage of a volatile security environment to launch attacks within Iraq."

* A "U.S.-led defeat and occupation of Arab Iraq probably would boost proponents of political Islam."

* "Guaranteeing Iran a role in the negotiations on the fate of post-Saddam Iraq might persuade some Iranian officials to pursue an overt and constructive means to influence reconstruction in Iraq."

* "Responsibility for internal security" would mean "retaining the capability to enforce nationwide peace." The Iraqi Regular Army "has been relatively unpoliticized below the command level and, once purged of the security and intelligence officers embedded within it, could be used for security and law enforcement until police or a local gendarme force is established."

Committee chairman John D. Rockefeller IV (D-W.V.) said, "Today's report shows that the intelligence community gave the administration plenty of warning about the difficulties we would face if the decision was made to go to war...." Republican Sen. Chuck Hagel made a similar statement.

Netanyahu Takes Credit for House Iran Sanctions Bill

May 24 (EIRNS)—According to European sources, Israeli Likud party leader Benjamin Netanyahu is boasting that he is responsible for the May 23 passage in the U.S. Congress's House Financial Services Committee of the "Iran Sanctions Enabling Act of 2007" (H.R. 2347). Barack Obama (D-Ill.) will introduce the bill in the Senate, according to the House Committee.

Remember Vice President Dick Cheney's secret meetings with Jabotinskyite fascist Netanyahu, at a gathering of the American Enterprise Institute in June 2006, which led to the catastrophic Israeli war against Lebanon?

Lyndon LaRouche, who has told the Democrats to "Wake Up!" and impeach Cheney, said that H.R. 2437 should be called the "Cheney/Netanyahu" bill, and that it will do further serious damage to the United States, by cutting down U.S. economic relations with other nations.

Netanyahu confirmed his hand in the U.S. Congress in an interview in the London *Financial Times*:

"I believe they [Iran] can be stopped with economic means ... you can use the economic weakness of the regime to put economic pressure upon it by a combination of actions to limit its credit lines and divestment, divesting by companies, primarily European companies, that do business there. And that could be very potent.

"But this is number one, and I would say this is not just an Israeli issue; it is a global issue ... and if I were prime minister I would have to deal with that."

Bernard Lewis, Cheney's and Netanyahu's guru on Islam, personally told him, says Netanyahu, that Iran has a "violent and cataclysmic" creed, and that nuclear retaliation is "not a deterrent [for Iran] but a catalyst" that will hasten the arrival of "their particular messiah."

A summary of the House bill appears in this week's U.S.A. Digest.

Cheney's 'Splendid Little War?' or Why Are Gaza, the West Bank and Lebanon Blowing Up At the Same Time?

May 24 (LPAC)—The Israeli government of Ehud Olmert opened a new offensive today against the Palestinian Hamas in the West Bank Occupied Territories, with the arrest of 30 top leaders of Hamas. Associated Press reports that among the Hamas officials "rounded up" are top elected officials, and leaders of humanitarian groups, including "former Cabinet minister Abdel Rahman Zeidan, legislators Hamed Bitawi and Daoud Abu Ser, the mayors of the towns of Nablus, Qalqiliya and Beita, and the head of the main Islamic charity in Nablus, Fayad al-Arba."

Previously, Israel had concentrated its attack on Gaza, where it was reported to the LaRouche Political Action Committee (LPAC) by well-informed Egyptian sources, that Hamas was besting the U.S.-armed Fatah fighters, in near-civil-war battles. Israel began attacking Hamas, though, when it was clear that Hamas was not being crushed by Fatah. Since May 18, when Israelis began air strikes and tank incursions into Gaza, the Israelis have killed more than 40 Palestinians, said AP. But this has failed to stop Hamas from firing rockets from Gaza into Israel.

Washington-based intelligence sources draw a link between the destabilization of Lebanon, where the Lebanese Army is in a standoff with the Sunni guerrilla group, Fatah al-Islam, and the blow-up in Gaza, where non-violence reigned since the February 2007 "Mecca Agreement" brokered by Saudi Arabia's King Abdullah.

In both cases, the violence was the outgrowth of the insane plan of Dick Cheney/Prince Bandar bin-Sultan to arm factions against Hezbollah and Hamas—the "Islamist enemy" defined by the British-White House-Likud alliance. After both Hezbollah (the Lebanese Shia organization) and Hamas (the Palestinian Islamic party) won stunning victories in the "Democracy strategy" pushed by the Bush-Cheney Administration, the Cheney/Bandar plan went into effect to try to use "mercenaries" in the form of rival groups.

Cheney/Bandar Funded Terrorist Group Now at War in Lebanon

May 24—In an interview with CNN on May 22, *New Yorker* magazine investigative journalist Seymour Hersh repeated charges he published in that magazine in March, that the Bush Administration has been working with Saudi Arabia to arm Sunni fundamentalist cells, to fight Hezbollah. The recent explosion of violence in northern Lebanon between the Lebanese Army and the previously little-known group Fatah al-Islam, is but the latest example of this rotten collusion, Hersh charged.

Excerpts of Hersh's interview on CNN follow:

HALA GORANI: Well, investigative journalist Seymour Hersh reported back in March that in order to defeat Hezbollah, the Lebanese government supported a Sunni militant group, the same ones they're fighting today.... What is the source of the financing according to your reporting on these groups, such as Fatah al-Islam...? Where are they getting the money and where are they getting the arms?

SEYMOUR HERSH: The key player is the Saudis. What I was writing about was sort of a private agreement that was made between the White House; we're talking about Richard—Dick—Cheney and Elliott Abrams, one of the key aides in the White House, with Bandar. And the idea was to get support, covert support from the Saudis, to support various hard-line jihadists, Sunni groups, particularly in Lebanon, who would be seen in case of an actual confrontation with Hezbollah—the Shia group in southern Lebanon—would be seen as an asset, as simple as that.

GORANI: The Bush Administration, of course, officials would disagree with that... [They are] saying this is an offshoot of a Syrian group, Fatah al-Islam is; where else would it get its arms from if not Syria?

HERSH: You have to answer this question. If that's true, Syria, which is close—and criticized greatly by the Bush administration for being very close—to Hezbollah, would also be supporting groups, Salafist groups—the logic breaks down. What it is, simply, is a covert program we joined in with the Saudis as part of a bigger, broader program of doing everything we could to stop the spread of the Shia, the Shia world, and it bit us in the rear, as it's happened before.

Asia News Digest

'China Will Surpass U.S. as India's Largest Trade Partner'

May 21 (EIRNS)—Trade between India and China is growing rapidly and will reach the 2010 target of \$40 billion by next year, and Beijing is likely to surpass Washington as New Delhi's largest trading partner soon, said Chinese Ambassador to New Delhi Sun Yuxi. "We can easily surpass the target of \$40 billion before 2010. It's possible to reach this target next year," the Chinese envoy said in New Delhi on May 21, at a seminar organized by the Confederation of Indian Industry (CII) to explore economic opportunities in Jiangsu region of China. India and China had set the \$40 billion target during Chinese President Hu Jintao's visit to India in November last year.

Dispelling the impression that India and China are rivals, the envoy stressed that the economies of both countries are growing at a fast rate and therefore their partnership is set to grow in the future. "If we become full partners, we will lead the world in business spheres," he said.

"We could reach \$50 billion by 2010. Some are even suggesting bilateral trade could be around \$80 billion by 2010," said Ambassador Sun. "India-China trade is growing at the rate of 40% per year. It will exceed \$30 billion this year. If trade continues to grow at this rate, China will overtake the U.S. to become India's largest trading partner," the envoy added.

New Delhi Makes Its Move to Contain Housing Bubble

May 21 (EIRNS)—In a move to help arrest excessive flow of capital into the real estate sector, the Manmohan Singh government in India has tightened the external commercial borrowing (ECB) that Indian entrepreneurs were allowed for developing integrated townships. Previously, foreign borrowing was not allowed in general real estate development, but only to developing integrated townships. There was evidence that the externally borrowed money was moving into the real estate, however, hiking housing prices in and around major cities. A lot of industrial revenue has also speculating in the burgeoning housing bubble.

New Delhi's rationale for taking this measure was to curb inflation and slow down the rise of the Indian currency, rupee, against major foreign currencies. The rupee is the fourth-largest gainer against dollar in 2007. As New Delhi has made India's GDP growth increasingly dependent on exports, a higher value for the rupee poses a problem for the gurus of High Growth Rate.

Pakistan Neglects Agriculture, Finds Poverty on the Rise

May 23 (EIRNS)—Despite Pakistan's contribution to the Bush Administration's war on terror, and the reward of about \$12 billion in cancellation of debt by the United States and the Paris Club of donors, for being an ally in the U.S.-U.K. "war on terror," Pakistan's poverty is on the rise in the rural areas, according to a World Bank report. Over the past decade, the document said, poverty has increased in the countryside, while declining in urban areas.

About one-third of total households in the country were considered below the poverty line, whereas poverty levels in rural areas remained close to 39%. Beside the fact that many in Pakistan claim that a large number of families, considered as above the poverty line, are in reality extremely poor, the World Bank document says that Islamabad made little effort to alleviate poverty during this period.

The reason that Pakistan's poverty level is growing in rural areas, is that Islamabad has ignored the vast agricultural sector and focussed on utilizing skilled and educated manpower to generate GDP growth. This policy is prompted by the authorities' promotion of globalization and economic liberalization, the same way these policies were promoted in China and India.

If this policy continues, Pakistan may face some serious economic problems in the coming years. According to the World Bank document, Pakistan's population, now about 153 million, will reach 217 million by 2020 and will double by 2040.

Disturbances in India's Punjab ... Once Again

May 23 (EIRNS)—The movement in Punjab that took a heavy toll in human and economic terms in the 1980s, including the life of at least one Indian Prime Minister, Shrimati Indira Gandhi, is once again at the center of disturbances. On May 21, in that northern state which is considered the "granary" of India, anger spilled out into the streets; businesses, schools,

and markets closed as thousands of Sikhs obeyed a call by their religious leaders to strike, in protest against a sect they accuse of sacrilege. While many marching Sikhs chanted hymns and recited scriptures, some protesters burned effigies of the sect leader, Gurmeet Ram Raheem Singh. Lawyers in many cities decided to stay away from courts.

What the leading English news daily, *The Hindu*, editorialized as "The Rising Tide of Hate," has its genesis in last year's State Assembly elections. At the time, Gurmeet Ram Raheem Singh's sect, known as Dera Sacha Sauda (DSS), was used by the Congress Party to undermine the mainstream Sikh political party, Shiromani Akali Dal (SAD). Following the SAD's strong election victory, tensions mounted between the DSS and the Singh Sahibs—who claim Vatican-like authority over the Sikh community's religious and temporal affairs. The confrontation intensified when the DSS founder appeared in an advertisement dressed like the tenth, and last, Sikh Guru, Guru Govind Singh, early this month.

Punjab had gone through bloody carnage in the early 1980s when another Sikh heretic, now dead, Jarnail Singh Bhindranwale, thundered in 1984: "I finish only those who are enemies of the Sikh faith like policemen, government officials, and Hindus." That launched the violent Khalistani movement, demanding separation of Punjab from India. The violence only abated in 1992.

Once again, pro-Khalistan slogans are being raised as the Singh Sahibs demanded "severe action" against the DSS. Fearing assaults by vigilantes, sect members have started fleeing the town of Bhatinda. Given the string of recent violent attacks on Deras, their fears appear well founded.

Punjab's SAD-led government has been strikingly selective in its concern for the law. No action has been taken against protestors who raised pro-Khalistan slogans and made death threats. What is happening in Punjab is not exceptional. Besieged by egalitarian ideologies and cultural change, Hindu, Muslim, and Sikh conservatives are all seeking to combat modernity by inflaming religious passions, *The Hindu* pointed out in its editorial on May 22.

Korea's Leading Presidential Candidate Unveils Grand Canal Scheme for North and South Korea

May 21 (EIRNS)—Lee Myung-bak, a member of the South Korean opposition Grand National Party, who holds a lead in public polls of about 40% for the December Presidential elections, unveiled on May 20 the blueprint of his core election pledge: a cross-national waterway connecting South Korea with North Korea.

Dubbed the Pan-Korea Grand Waterway, it will be 3,100 kilometers long and comprise 17 routes, including five in the North. The longest canal will be Gyeongbu Canal or Seoul-Busan Canal, which will link the Han River in Seoul to the Nakdong River in the southeastern port city of Busan.

Lee's group said that Korea must consider not only the economic advantages of the waterway, such as cheaper transport and relieving clogged roads, but that the project will "open our hearts," according to the *Korean Herald*.

This announcement follows last week's successful testing of two rail connections between North and South Korea, further laying the basis for ending the official state of war (left over from the 1950s Korean War), and preparing for eventual reunification.

Lee was the CEO of Hyundai Construction and Engineering before entering politics in 1992. As Seoul mayor in 2005, he restored the dried up Cheonggye Stream in the center of the capital city, an achievement which helped his bid for the Presidency.

In a related development, a North Korean cargo ship docked in Busan, on the southern tip of South Korea, the first such

maritime cargo exchange between the two Koreas in over 50 years. The ship will make three round trips per month.

Thai Video-Game Fanatic Guns Down Seven in Market

May 24 (EIRNS)—The death count from violent video-game addicts is mounting in Asia. Yesterday, Kiartipong Meksawat, 21, took an AK-47 assault rifle into a market, killing three and injured seven, before being killed by police.

The leading Bangkok daily *The Nation* described Kiartipong as a gun enthusiast who "loved to play violent video games, read 'Guns and Ammo' magazines, and had no friends except his sister."

Police searched his apartment and found two fully loaded AK47 magazines, 35 rounds of bullets for .22mm handguns, three knives, one samurai sword, ninja-style throwing stars, weapon magazines, and violent computer games.

Chinese Company Links Up With Blackstone Group Hedge Fund

May 21 (EIRNS)—China's new foreign exchange investment company has agreed to put \$3 billion into the Blackstone Group hedge fund, Xinhua reported today. The China Jianyin Investment Ltd, which is still not formally founded, released a joint press statement with Blackstone May 20 on the deal. Wang Jianxi, chairman of China Jianyin, said they will buy an under-10% non-voting stake in Blackstone, at the same time that Blackstone launches its \$4 billion IPO in mid-June.

The worst part of this move is giving backing to the voracious hedge funds. The amount is a small part of China's huge \$1.2 trillion in forex reserves, the biggest in the world. IMF Managing Director Rodrigo de Rato said at a G8 Finance Ministers meeting on May 19, that he is not concerned that this means any real move by China away from the U.S. dollar and U.S. Treasury bonds, where the biggest part of its foreign exchange has been invested. Rato said this was a measure to "diversify their investments," and not "extraordinary." Countries with big forex reserves are particularly interested in stability in currency markets, he said.

Africa News Digest

Vulture Funds Should Be Stopped from Draining Africa Says Rep. Payne

May 25 (LPAC)—At a hearing of the U.S. House of Representatives subcommittee on Africa and Global Health, the Democratic chairman of that subcommittee, Rep. Donald Payne (D-N.J.) blasted the "vulture funds" that buy up the debts of "distressed" countries for pennies on the dollar, and use legal suits to squeeze the full value, reported *Mshale* newspaper, the online "newspaper of the African community." At a May 24 hearing entitled "Vulture Funds and the Threat to Debt Relief in Africa: A Call to Action at the G-8 and Beyond," Payne stated, "Instead of servicing millions of dollars in debt annually, these nations could finally begin to service their own people. Schools could be built, teachers and nurses could be hired, life-saving medication could be distributed. Yet, with the threat of vulture funds waiting in the wings to swoop down and prey on struggling, impoverished African nations, poverty reduction programs and plans for economic development could come to a grinding halt.... This is morally reprehensible and exploitative."

Payne singled out one company, Donegal International, which had taken Zambia to court after its \$55 million sovereign debt to Romania had been purchased by the company for a mere \$3.2 million. The *Financial Times* covered the hearing, explaining that "vulture funds" are "perceived to prey on the weakest countries" and "usually operate through shell companies in the Caribbean." Payne sent a letter to President Bush, asking him to raise the issue of stopping the vulture funds' practices, at the upcoming meeting of the G-8. But a White House official said that "Bush had no plans to raise

vulture funds at the summit," reported the *Financial Times*.

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