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## In-Depth Coverage

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## Feature

### **The Rules of Survival** **by Lyndon H. LaRouche, Jr.**

From the standpoint of the financial system, the present world situation is hopeless. To survive, we have no choice but to change the system itself, the way Franklin Roosevelt restored the American System of political-economy, in what Winston Churchill correctly saw as a threat to the British Empire. The central feature of this report is the subject of those changes required, to 'get us through the crisis, leaving the emptied hulk of the failed financial system itself behind us.'

## International

### **Putin Moves To Outflank 'Ring Around Russia' Provocations**

The Russian President caught the Bush Administration off guard by proposing a joint Russian-American anti-missile defense facility in Azerbaijan. The Russian view is that the future of the world depends on the U.S. response, since if Washington and London continue their military and political provocations, the threat of nuclear war becomes very real.

### **LaRouche to Russian Journal: 'The Enemy of Russia Is London'**

An interview given to Andrei Kobayakov, director of the Russian web publication RPMonitor (www. rpmonitor.ru).

### **LaRouche Holds Dialogue With Italian Senators on New Monetary System**

During Lyndon LaRouche's threeday visit to Rome, he participated with Italian political and economic leaders in an EIR-sponsored conference on 'The Future of the Economy: Market Radicalism or New Deal?'

### **LaRouche in Rome: Free Market or New Deal?**

Speech to the EIR conference on June 6.

### **Gianni: How To Go Beyond Capitalism**

Speech by Alfonso Gianni, Italian Deputy Minister for Economic Development.

## **Tremonti: Revive Hamilton's Economics Speech**

by Giulio Tremonti, vicechairman of the Italian Parliament and former Economics Minister.

## **Sudanese Ambassador to U.S.: Beware 'Hidden Agenda' Behind Sanctions**

In an interview on *The LaRouche Show*, Ambassador John Ukec Lueth Ukec described how the new U.S. sanctions only serve to wreck the difficult process of creating peace and economic development in Sudan. The real agenda is not the crisis in Darfur, he said.

## **U.S. Sanctions Target Food and Agriculture**

## **Economic Hit Men Aim at Ecuador President**

# Economics

## **G-8 Pass Up Opportunity on Hedge Funds, Development**

By denying the reality of the bankruptcy of the world system, the participants in the G-8 'World Economic Summit' did not act on two initiatives that could have dealt with effectively with the world economic breakdown crisis.

## **Rep. Frank to Bush: Time To Act on Hedge Funds**

# National

## **Dick Cheney Becomes Ever More Impeachable**

Although the Democratic leadership has so far refused to put the issue of impeachment on the table, Vice President Cheney took three heavy body blows the first week in June.

## **Momentum for Impeachment**

## **National News**

# Departments

## **Banking**

## **Principality-Based Regulation.**

# Editorial

## **Corruption in the Camp of LaRouche-Haters Cheney and Blair**

# U.S. Economic/Financial News

## Securitization of Mortgages Drives Foreclosure Wave

June 7 (EIRNS)—In a Reuters review, Wall Street gurus clearly acknowledged the truth Federal regulators have been dancing around: The massive securitization of mortgages since 2000 is now driving the "foreclosure tsunami," and blocking the renegotiation of defaulted mortgages to save homes. This brutal fact has also been seen in the fight between Bear Stearns investment bank and a group of hedge funds, led by the Paulson fund. The hedge funds have bought masses of the mortgage-backed securities (MBS); the investment banks and servicing banks, on the other hand, are now under Congressional pressure to renegotiate mortgages to avert foreclosures.

Banks and mortgage companies made profits multiple times on the massive wave of subprime, "Alt-A," adjustable-rate, and other unconventional mortgages, first by charging higher interest rates to home buyers, and then by packaging and reselling the mortgages as securities. Now the legal covenants of those securities prevent renegotiating the mortgage terms and payments, according to MBS "inventor" Lewis Ranieri, and other mortgage experts interviewed by Reuters. "Once you sell it [securitize the loan], the accounting says you can't go back and touch it," a Rice University professor told the news service. The securities holders—hedge funds, private equity, and other kinds of funds—can block renegotiation, which can't even be proposed until the underlying mortgage is in default.

The research firm Housing Predictor, Inc., based on a survey of 100 U.S. metropolitan areas in May, has forecast 2 million more foreclosures nationally, essentially agreeing with an earlier forecast by the Center for Responsive Lending, of a wave of 2.2 million more foreclosures coming. This would take the 2006-09 foreclosure "tsunami" to 3 million, larger than the one which hit when the U.S. savings and loan bank sector collapsed in the middle 1980s.

Only Federal and state legislative action can halt this wave.

## Machinists Demand U.S. Manufacturing Policy

June 6 (EIRNS)—Tom Buffenbarger, the president of the International Association of Machinists and Aerospace Workers (IAM), called on Senate Democrats to treat the collapse in manufacturing as an economic epidemic.

"We cannot afford to be anesthetized by incremental improvements in one index or another," Buffenbarger said at a June 6 meeting of the American Manufacturing Initiative of Senate Democrats. "Since 1999, we have lost over 43,000 manufacturing plants and more than 3.2 million good-paying American jobs. No economy can continue to absorb that kind of damage and hope to survive," he warned. Buffenbarger spoke as part of a day-long session held by the Senate Democratic Steering and Outreach Committee, chaired by Sen. Debbie Stabenow (D-Mich.), entitled "Open Discussion on American Manufacturing."

While others attending the conference, including the CEOs of the automakers, complained about the high cost of health care, Chinese currency, and Korean trade policies, and offered alternative fuels as a so-called solution, Buffenbarger called on the committee "to lay the foundation for a national industrial policy that will put the brakes on this epidemic of job losses." He called for tax incentives to renovate and retool older factories, as well as education for high school graduates, and putting a "tourniquet on trade deals and tax breaks that are killing jobs and hope for so many American families."

Outside of the conference, members of the LaRouche Youth Movement were educating Democratic Senators on Lyndon LaRouche's capital budget and the Russian proposal to build the Bering Strait Tunnel as both a war avoidance policy and an economic recovery policy.

## **Reactors to China Bring Skilled Jobs to Pennsylvania**

June 2 (EIRNS)—A preliminary order for just four of what may be hundreds of nuclear plants to be built in China, is immediately bringing 2,000 highly skilled jobs to the Pittsburgh area, according to a Pennsylvania official of the National Machine Tool Association (NMTA). "A world nuclear renaissance is the one chance to revive the machine-tool industry in this country," he said.

China's National Development and Reform Commission (NDRC) said on May 27 that the country has plans to increase its nuclear power capacity 20-fold, to over 150 gigawatts. China has ordered four ABWRs (advanced boiling-water reactors) from Toshiba Corp., the owner of Pittsburgh-based Westinghouse Nuclear Corporation, which will hire 2,000 new employees including newly trained machinists.

The work on the reactor elements will involve and expand a score of small and medium-sized machine-tool companies in the Pennsylvania area, as contractors, even though the United States has completely lost the capacity to build some major elements of the reactors, including generators and pressure vessels. The NMTA official told *EIR* that because of this huge loss of machine-tool production and capacities, he feared the U.S. industry would "see all this nuclear construction go away" to other nations. "But it's our one big chance," he said.

The largest potential nuclear-plant order currently in the United States, for the preliminary design of up to five 1,200MW reactors by the TXU electric utility in Texas, has gone to another Japanese company, Mitsubishi.

The U.S. economy has lost major parts of its most important machine-tool industrial capacities, in allowing nearly half the aerospace industry's capacity to shut down after 1990, and in the collapse and drastic shrinkage of the domestic auto industry, while Congress has not lifted a finger to intervene.

## **Rail Shipments Fall as Hedge Funds Buy Rail Stocks**

June 5 (EIRNS)—In another marker of the disintegrating U.S. economy, shipments of most industrial and construction products by Class 1 railroads fell sharply in the first quarter of 2007, according to sources familiar with the industry. The most notable collapse was in auto and auto-parts shipments, which are a major component of freight railroads' business, and which were nearly 10% lower than a year earlier. But coal shipments; lumber, cement, and other construction materials; plastics; and steel shipments all dropped.

This reversal hits the Class 1 railroads just as a group of notoriously "activist" hedge funds had bought major positions in their stock. TCI Fund Management, Fortress Fund Management, and Atticus Capital Partners, along with Warren Buffett's Berkshire Hathaway funds—had all just taken significant stock holdings of the Class 1 railroads across the board: Burlington, Northern and Santa Fe, Union Pacific, CSX, Norfolk Southern, and Kansas City Southern Railroad. Outright takeovers are rumored.

The profits of these railroads had been up between 11% and 18% in 2006, and totalled \$42 billion—indicating what an abrupt collapse is represented by the first quarter 2007 freight shipments.

## **Bubble Bursts: Unsold Housing Inventory Up 29%**

June 6 (EIRNS)—The housing bubble is bursting. The number of homes listed for sale in 18 major U.S. metropolitan areas at the end of May rose by 5.1% in just one month, according to real-estate brokerage firm ZipRealty Inc.—named for the speed of turnover it once enjoyed on its transactions.

Compared to May of 2006, combined inventory was up a sharp 29% for the 15 cities for which such comparisons were available, the firm reported. A further drop in prices is expected as a result.

Meanwhile, the National Association of Realtors conceded somewhat to the reality of the collapse, saying drops in home sales and prices are going to be worse than originally forecast. Sales of existing homes are now expected to fall by 4.6% to an annual pace of 6.18 million units in 2007, down from 6.29 million units it estimated last month. NAR also predicted that the median sales price will decline 1.3%, worse than the 1.0% drop it forecast previously.

## World Economic News

### Continued Japanese Carry Trade Could Hit China

June 9 (EIRNS)—If the yen keeps falling against the dollar, counter to every other world currency, and were China to end its foreign exchange controls, China itself could be hit with a yen-renminbi (RMB) carry trade that would send its already huge foreign reserves skyrocketing to \$3 trillion, Chinese financial analyst Wan Xiaoxi warned in an interview with *China Business News* (June 9).

Wan, an analyst with China Southern Fund, said that the continued fall of the yen is encouraging the yen carry trade and exacerbating international imbalances. He called the fall of the yen a "malevolent depreciation," and obviously counter to the steady rise of the RMB and every other leading currency, against the dollar. "All the world's major currencies are appreciating against the dollar—except for one. The fact is that the currency of the world's second-largest economic power has been devalued since 2005 in a malevolent way, and this is the major cause of the global imbalance," Wan said. Were there to develop an "RMB carry trade," China's forex reserves, already some \$1.2 trillion, the largest in the world, might blow out to \$3 trillion in two to three years, warned Wan.

China's government has been emphatic that "reform" of China's international currency policy will be carried out at some future time, and under controlled conditions. Wan pointed out that Japan's trade surplus, about the same as China's in 2005 at \$160 billion, in the first half of 2006, fell below China's. This is due to the fall of the yen, while the Chinese RMB is slowly rising: it has appreciated 5.8% against the dollar, and 14.6% against the yen since the trading band was widened in July 2005. The yen interest rate is 2-3% lower than the RMB, giving fairly high returns for carry trades between the two currencies.

### Fitch: Hedge Funds in Debt Markets Pose 'Unheard-of Risks'

June 6 (EIRNS)—As the influence of hedge funds on key segments of the credit markets continues to grow at a dramatic pace, transforming the "swap" markets which supposedly insure debt against default by the use of derivatives contracts, Fitch Rating service warns of lurking, large liquidity risks.

Debt or credit-based hedge-fund assets are reported to have reached over \$300 billion in 2005, a six-fold increase from five years before, according to the IMF. Based on research published by Fitch today, this number excludes the multiplier effect of leverage. Therefore, that \$300 billion of assets equates to \$1.5 trillion-\$1.8 trillion deployed into the credit markets by the hedge funds, at typical leverage levels of \$5-6 borrowed for every dollar of the hedge funds' assets risked, says Roger Merritt, managing director in Fitch's Credit Policy Group. This effective leverage is what amplifies the impact of hedge funds on credit markets.

The rating agency says that the growing role of hedge funds in the credit markets represents a true paradigm shift. Hedge

funds now account for nearly 60% of the trading volumes in the \$30 trillion collateralized-debt securities market, and provide significant capital flows to all areas of the cash credit markets. In a market downturn, the potential for a forced unwind of hedge funds' credit assets cannot be discounted, and could lead to correlations that are different than historical expectations. Even a temporary dislocation in the credit markets could lead to a rash of defaults, Fitch warned.

### **Private Equity Funder Warns of Major Defaults**

June 6 (EIRNS)—One of the biggest lenders to private equity funds, warned investors yesterday that "a glut of cheap debt means buy-out firms are not pricing in risks on their bids or leaving any room for deals to turn sour," the *London Times* reported today.

Intermediate Capital Group said the structure of deals was now so risky that, "it was almost inevitable there would be defaults, especially on the larger multibillion deals where the appetite for risk was even greater," the *Times* reported; it quotes Philip Isherwood, European strategist for Dresdner Kleinwort in London, saying: "The risk is that default rates rise, then the cost of debt starts to rise and some of these deals will inevitably start to fall over."

### **Central Bankers: Hedge Funds Threaten World Markets**

June 5 (EIRNS)—The growth of the hedge-fund industry is "too influential to ignore," Bank of Japan governor Toshihiko Fukui told a monetary conference of international bankers in Cape Town, South Africa. "In times of stress," these funds add volatility to the markets, Bloomberg reported. Fukui's warning was but one of many issued on the risks which private equity and hedge funds pose to the international financial system at the conference today.

European Central Bank President Jean-Claude Trichet worried that "a triangle of vulnerability" exists that could trigger an upset to the financial markets. Trichet identified the three triggers as 1) low-risk premiums on debt instruments, 2) the explosion of unregulated hedge funds, and 3) private equity firms combined with their widespread use of complex new credit derivative instruments, according to South Africa's *Engineering News*.

"A shock at any corner of this triangle could have implications for the other two," Trichet told the conference. "For instance, a significant turn in the credit cycle could mean that credit-protection sellers, such as hedge funds, could become unable to make due payments to banks." The European banker added, "Similarly, if widespread problems were to emerge at hedge funds or private equity firms, which are active in the CRT [credit risk transfer] markets, this could even spark a downturn in the credit cycle."

Even though Trichet said circumstance are "unpredictable," he merely asked that investors self-regulate and voluntarily monitor their transactions with hedge funds.

### **Hedge Fund, LME Accused in Assault on World Copper Market**

June 5 (EIRNS)—A hedge fund that has lost big in the metals markets this year, is manipulating the global copper market and wildly driving its prices up, according to an industry source.

Red Kite Management LLP, based in London, and started in 2005 by metals traders from HSBC Bank Corp., is a large hedge fund with over \$1 billion in assets under management. After making profits of over 100% in the hedge-fund-driven hyperinflation in metals and commodities of 2006, Red Kite lost something between 30% and 50% in the first few months of 2007, according to reports in financial wires.

But sources say that Red Kite has gotten Chile's huge copper-mining combine Codelco to manipulate both reported and actual shipments of copper to China, to throw the Shanghai copper futures markets into extreme volatility and confusion. This has driven copper futures prices back up nearly to \$7,500 a metric ton on the London Metals Exchange (LME).

The International Wrought Copper Association, made of up large corporate and government users of copper, accuses the LME itself of aiding the hedge funds' speculation and manipulation of the price. Inventories of copper were reported as falling in the first week of June on the LME, but also at the Shanghai Futures Exchange, despite huge reported imports of Chilean copper to Shanghai (up more than 100% in recent months, from a year earlier). "The surprise this month has been the continual drops in LME inventories and the fact that Shanghai stocks have not risen, given the level of Chinese imports in the first four months," said Nick Moore, a London-based metals analyst at ABN Amro Holding NV, to *Bloomberg* on June 5. These imports have been at such suddenly elevated prices, that Shanghai copper traders claim they are reselling the copper at losses of \$600-700 a metric ton to domestic users.

## United States News Digest

### Will 'War Czar' Be Scapegoat for Cheney Iraq Crimes?

June 7 (EIRNS)—Did the Bush Administration, perhaps Dick Cheney himself, create the so-called "war czar" position, officially known as Assistant to the President for Iraq and Afghanistan, so that blame for the failures there could be shifted to that person, and away from the war party led by Cheney? Sen. Jack Reed (D-R.I.) said as much during confirmation hearings, held by the Senate Armed Services Committee, for Lt. Gen. Douglas Lute, who has been nominated for that position. Reed called Lute's appointment "a devastating critique of the national security apparatus of this White House," adding, "I'm afraid that your position will be as somebody who's there to take the blame, but not really have the access to the President and the resources that you need." Under questioning from Reed, Lute confirmed that he would be reporting to President Bush, and "coordinating" with National Security Advisor Stephen Hadley, and that Hadley will not be involved in Iraq and Afghanistan policy. "Then he should be fired," Reed said. "I think you're being put in an impossible situation."

As for the role of Cheney, two members of the committee did note Cheney's role in the war policy. Committee chairman Carl Levin (D-Mich.) noted in his opening remarks that a number of retired four star officers turned down the position when they were offered it, and that at least one, Marine Gen. Jack Sheehan (ret.), "reportedly expressed concern that the hawks within the Administration, including Cheney, remain more powerful than the pragmatists looking for an exit in Iraq. This does not bode well for General Lute." Sen. Hillary Clinton (D-N.Y.) later expressed the view that Cheney "runs a parallel operation," and asked Lute what his relationship to the Vice President would be. Lute would only say that he will be working for the President, but that Cheney is on the principals committee: "I will be working with the Vice President and his staff," he said. Clinton responded: "That has turned out to be a difficult position for many."

### Two Guantanamo Detainee Cases Dismissed

June 4 (EIRNS)—Military judges dismissed all charges against two prisoners at Guantanamo today, in a major defeat for the Cheney-promoted scheme of military tribunals which was created to bypass traditional U.S. military and civilian law.

In the first case, charges were dismissed against a young Canadian, Omar Khadr, who was accused of killing a U.S. soldier in Afghanistan in 2002. Army Col. Peter Brownback, the military judge presiding over the Khadr trial, ruled that the military commission does not have jurisdiction to try Khadr, in a ruling seen as having broad implications for all of the other 380 prisoners at Guantanamo. Although a military review board had designated Khadr as an "enemy combatant," under the 2006 Military Commission Act, the newly created military commission is only empowered to try "unlawful

enemy combatants."

One military law specialist told *EIR* that the Khadr ruling was "certainly a shocker."

In the second case, charges were dismissed against Salim Ahmed Hamdan of Yemen, who is described as having been a driver and bodyguard for Osama bin Laden. The military judge in his case, Navy Capt. Keith Allred, likewise ruled that Hamdan is "not subject to this commission" under the 2006 Military Commissions Act.

"It is not just a technicality," AP quoted Marine Col. Dwight Sullivan, the chief military defense attorney at Guantanamo, as saying after the Khadr ruling. "It's the latest demonstration that this newest system just does not work. It is a system of justice that does not comport with American values." Sullivan said that this could mark the end of the military commissions scheme which was created last year, when the Military Commissions Act was jammed through Congress after the U.S. Supreme Court had ruled, in a case brought by Hamdan, that the previous system of military tribunals, created under a 2001 Bush military order, was unconstitutional.

It is well-known that Vice President Dick Cheney and his chief lawyer David Addington were the primary promoters of the unworkable and unconstitutional military tribunal and detention system, twice struck down in different aspects by the U.S. Supreme Court, and then modified by the 2006 law.

The charges were dismissed "without prejudice," meaning that they could be refiled, if the government could find a way to legally remedy the defect in the proceedings, such as holding new hearings to reclassify all prisoners as "unlawful enemy combatants." Prosecutors also said they intend to appeal—even though the military appeals court envisioned in the 2006 law hasn't yet been established.

## **Impeachment Gets Biggest Applause at N.H. Dem Convention**

June 3 (EIRNS)—The *Manchester Union Leader* reports that the candidate who received the "biggest applause of the day" at the New Hampshire Democratic Party Convention was Rep. Dennis Kucinich (D-Ohio), when he called for the impeachment of Dick Cheney. Kucinich, who has introduced a resolution in Congress to impeach Cheney (H.R. 333), later told reporters that he gets a similar reaction around the country, whenever he calls for Cheney's impeachment. "I'm just waiting to be discovered by you," he said of the press.

## **Senate Panel Slams Cheney's Torture Program**

June 3 (EIRNS)—The Senate Intelligence Committee, in a report released last week, says that the purported value of the Cheney's secret program to detain and interrogate terrorist suspects (they call it a "CIA" program), "should be weighed against both the complications it causes to any ultimate prosecution of these terrorists, and the damage the program does to the image of the United States abroad." Though the word "torture" is never mentioned, the report is clearly a rejection of the use of torture—euphemistically referred to as "extraordinary procedures"—that the Cheney-Bush Administration has argued is necessary in the so-called war on terror. The comments were included in a report to accompany the committee's passage of the annual intelligence authorization bill and, according to Salon.com, were added to the report by a bipartisan voice vote. "While the language in the provision is a bit stronger than I would have preferred," said Sen. Kit Bond (R-Mo.), the ranking Republican on the committee, in a statement to Salon, "I am in agreement with the broad concerns it lays out."

The report also complains that the administration's decision to keep the program a secret for five years from all members of the committee except the chairman and vice chairman, "was unfortunate in that it unnecessarily hindered Congressional

oversight of the program." The report adds, that more than five years after the start of the program, "the Committee believes that consideration should be given as to whether it is the best means to obtain a full and reliable intelligence debriefing of a detainee. Both Congress and the Administration must continue to evaluate whether having a separate CIA detention program that operates under different interrogation rules than those applicable to military and law enforcement officers is necessary, lawful, and in the best interests of the United States."

## **U.S. Intelligence 70% Privatized**

June 3 (EIRNS)—Like the U.S. military, U.S. intelligence is also being taken over by private contractors. The Defense Intelligence Agency disclosed on May 14 that 70% of the intelligence community budget is spent on private contracts. While there has always been a heavy dependence on contractors to provide technology, the difference now, is that contractors are also being hired to perform functions that were previously reserved for government employees. These include analysis of intelligence data and the writing of reports that are passed up the line to high-ranking government officials, according to a report on Salon.com. This privatization of intelligence is part of the project to privatize military functions run jointly by George Shultz and Felix Rohatyn, and their stooge, Dick Cheney, and exposed by *EIR* in 2006. The Senate Intelligence Committee estimates that the cost of a government intelligence officer is about \$126,500 per year, but the government pays \$250,000 for the same individual under private contract.

## **Private Funds Pour Millions Into Violent Video Games**

June 5 (EIRNS)—The private equity firms ABRY Partners, Capital Partners III, and PPM America Private Equity Fund II, along with New York Life and Northwestern Mutual Life, are putting \$400 million into the launch of a new violent video game company, to be called Brash Entertainment, Reuters reported yesterday.

The company will base its games on Hollywood horror flicks.

## **Ibero-American News Digest**

### **OAS Chief: Nuclear Energy Is Ibero-America's Right**

June 7 (EIRNS)—The people of Ibero-America have the "right to research, develop, and produce nuclear energy for peaceful purposes," said José Manuel Insulza, the Chilean Secretary-General of the Organization of American States (OAS), in his opening speech to that organization's General Assembly June 3, in Panama. Nuclear energy doesn't produce sulfur or mercury emissions or greenhouse gases, he pointed out, and given current oil prices, "it could become cheaper than [energy] produced from oil or natural gas, or even that produced by solar energy, wind power, or biofuels."

The Secretary-General's remarks intersect an intensifying debate throughout Ibero-America, and particularly in his own country, Chile, on nuclear energy as a safe, efficient, and cheap energy source. Of great interest in the Chilean case is Russia's involvement in promoting nuclear energy there, through its state agency Rosatom. This has sparked tremendous excitement among university and scientific circles that have long advocated developing nuclear energy in the country.

In mid-May, Russian government officials and nuclear experts, led by Regional Development Minister Vladimir Yakovlev, participated in seminars in both Valparaiso and Santiago, providing detailed information on the latest developments in Russia's nuclear technology, and its ability to provide small reactors to developing nations such as Chile. Russian participants at a seminar sponsored by the University of Santiago gave impressive presentations on Russia's role in promoting nuclear energy internationally, emphasizing the development of its floating nuclear plants.

## **OAS to Rice: Butt Out of Venezuela's TV Conflict**

June 8 (EIRS)—Organization of American States (OAS) General Secretary José Miguel Insulza also rejected any possibility of direct OAS intervention into Venezuela, as had been demanded by U.S. Secretary of State Condoleezza Rice at the OAS General Assembly that concluded June 6 in Panama City. Rice demanded that Insulza send a mission to Venezuela to evaluate whether "freedom of the press" exists in that country, after President Hugo Chávez did not renew the RCTV television channel's operating license.

Chávez's political opposition has used the denial of the license to unleash a wave of student protests, claiming that Chávez is a "dictator." The government charged that the protests had been organized by the Albert Einstein Institute, chaired by Gene Sharp, which has played a key role in organizing allegedly "pro-democracy revolutions" in several Eastern European countries.

Rice cited Article 18 of the Inter-American Charter, in arguing that Insulza should go to Venezuela to prepare an official report on the situation there. Insulza, however, explained that Article 18 requires that the government involved authorize such an official investigation, and Venezuela certainly wouldn't agree to it. Moreover, he added, this really is a matter internal to Venezuela. Insulza also took the opportunity to express his willingness to "reopen" a dialogue with Cuba, which no doubt further raised Rice's hackles.

## **Global Warming Not Hot at Buenos Aires University**

BUENOS AIRES, June 6 (EIRNS)—Students were already waiting when LaRouche Youth Movement (LYM) organizers arrived at the University of Buenos Aires's School of Exact Sciences a half-hour ahead of their scheduled showing June 6 of British Channel 4's expose of the "Great Global Warming Swindle," with Spanish subtitles. When the LYM's Emiliano Andino gave his brief introduction on the political importance of this fight, there were 250 people present, mostly youth, and about ten professors. At the end, the audience broke out in applause.

Argentina is, after all, a country which still celebrates a National Nuclear Day!

Several of the professors reported that they had been persecuted for opposing the global warming hoax, and the LYM found that many students were still angry at Al Gore's recent Buenos Aires visit, where he pumped his fraud.

## **Protests vs. Mexico's Social Security Privatization**

June 3 (EIRNS)—The building protest against the late-March privatization of pensions and health care for the State Workers Social Security and Services Institute (ISSSTE), forced President Felipe Calderón to reiterate again on June 5 that the law will not be revoked.

A third national "civic strike" demanding the law's abrogation took place June 1 in Mexico City and in 13 other Mexican states, and organizing is underway for more marches and demonstrations, culminating in a referendum on the law scheduled for June 15, to be held "in every school, university, public plaza, and community in the country," according to union leaders.

The protests are taking place in the countdown to the June 14 international webcast, featuring Democratic Party leader Lyndon LaRouche; Agustín Rodríguez, Secretary General of the trade union of Mexico's National Autonomous University (STUNAM); and Chilean trade union leaders, in a dialogue entitled "Globalization = Fascism."

## **Would You Buy a Used Debt Bubble from Genius Who Blew Out Mexican Economy in '94?**

June 7 (EIRNS)—That would be Pedro Aspe, the former Finance Minister in the infamous Carlos Salinas de Gortari government (1988-1994). Aspe is a Harvard graduate, and a protégé of David Mulford, Deputy Treasury Secretary under Bush 41 (where he was the architect of the unlamented Brady Bond scam), before going on to become the International Chairman of Credit Suisse First Boston.

After what Salinas and Aspe did to Mexico in 1994, on orders from international banks such as Credit Suisse First Boston, you'd think that no one in Mexico would want to get burned twice. But now it turns out that many state governments have hired Aspe's consulting firm to help them float long-term bonds, that are backed by *future* revenue streams from taxes, tolls, and the like.

Driving state after state into this suicidal lunacy is the fact that one of the first acts of the new Calderón government was to dramatically slash federal revenue-sharing arrangements with the states—which are far more significant, in relative terms, than similar arrangements in the United States. Mexico's states are largely dependent on these federal monies for survival.

Most recently, the northern state of Sonora had 1.5 billion pesos (\$135 million) in federal funds pulled out from under it, which led Governor Bourse to call in financial wizard Aspe, to advise his government on refinancing 5 billion pesos in state debt, with a new bond issue. The new bonds have a 30-year maturity, and are to be paid out of future revenues from auto taxes, parking fees, etc.

The states of Chihuahua, Nuevo León, Tamaulipas, Puebla, and others have all gone down this same path. And recently, the government of the Federal District (Mexico City), headed by the PRD party's Marcelo Ebrard, announced that it too had hired Aspe's firm to do the same. Ebrard has also invited Al Gore to speak in Mexico City at the end of July. Perhaps he intends to invite Al's hedge funds in to make a killing on the debt scam, as well.

## **Colombia's Narco-Terrorists Now Murder, Torture for Biofuels!**

June 5 (EIRNS)—It's been the story in Colombia for three decades: hundreds of thousands of peasants are run off their lands at gunpoint by armed gangs of horrific bestiality, to open the way for vast dope plantations. Now, according to the June 5 London *Guardian*, the same paramilitary bands are back, this time clearing "swathes of territory" of their inhabitants by murder and intimidation for palm oil, the latest international "hot commodity" in the biofuels racket. The *Guardian's* headline sums it up: "Massacres and Paramilitary Land Seizures Behind the Biofuel Revolution."

Colombia is already the second-biggest ethanol producer on the continent, after Brazil, and as *EIR Online* reported March 30 ("Of Bushes and Ethanol Madness in Colombia"), President Alvaro Uribe proposes to open up 6 million hectares of territory in the depopulated Colombian Orinoquia region for cultivation for ethanol; more than the total land under cultivation (excluding pasture lands) in the country in 2005!

## **Bill Clinton 'Honored' To Receive Award from Colombia**

June 6 (EIRNS)—Colombian President Alvaro Uribe will personally award former President Bill Clinton his government's "Colombia Is Passion" award, at a gala dinner in New York City on June 8. The award is given in appreciation for those international figures who "believe in Colombia," and "encourage others to do the same." A Clinton spokesman told the *Wall Street Journal* June 4 that the former President "is honored to be receiving an award from the Colombian people."

Quite a difference from his former Vice President, Al Gore. On April 20, Gore cancelled his scheduled keynote speech at a ritzy biofuels conference in Miami, on the pretext that he didn't want to appear on the same stage as President Uribe, because of allegations from Colombian opposition groups that Uribe is tied to Colombia's murderous paramilitaries.

All of this has very little to do with Uribe, per se. The financial oligarchy whom Gore fronts for, is out to bring about regime-change and create ungovernability across Ibero-America, from "leftist" Venezuela to "center-right" Colombia.

## **Western European News Digest**

### **British Defense Giant BAE at Center of Saudi Bribe Scheme**

June 7 (EIRNS)—The long-time Saudi Arabian Ambassador to the United States, who now is head of national security for the kingdom, received nearly \$2 billion in bribes from a British arms manufacturer over a period of two decades. Prince Bandar bin-Sultan, who is also the son of the Saudi Minister of Defense, received payments into the Saudi Embassy accounts in Washington at Riggs Bank, from BAE Systems, the British defense company that manufactures Tornado and Hawk jet fighters.

According to a BBC investigation, aired on June 6, the payments into the Saudi slush fund in Washington, D.C. were made beginning in 1985, when the Saudi government and BAE signed a \$100 billion deal, under which the British company would provide fighter jets to the kingdom, and would conduct other military-related construction projects. The payola scandal between BAE and Prince Bandar implicates every British government from Margaret Thatcher, through John Major and Tony Blair.

While the BAE-Saudi bribery scandal has been brewing for years, on Dec. 14, 2006, Attorney General Lord Goldsmith announced that the official probe, conducted by the Serious Crimes Office (SCO), would be ended, with no indictments. Prime Minister Blair fully endorsed the decision to shut down the probe, and both he and Lord Goldsmith claimed that any further action would jeopardize the national security of Great Britain. Washington sources who have been tracking the scandal for years reported to *EIR* that Bandar had threatened the British government with a cutoff of all Saudi cooperation in the "war on terror" should the probe continue.

Until 2001, there was no law in Great Britain against bribery; however, there are indications that the payments to Prince Bandar continued well after that date; and as of 1977, such payments to foreign politicians have been outlawed in the United States.

Prince Bandar has gained notoriety for his long-standing close ties to the Bush family, and for his more recent collusion with Vice President Dick Cheney, in promoting a Sunni politico-military alliance against Shi'ite Iran. In November 2006, acting behind the back of the new Saudi ambassador in Washington, Prince Turki al-Faisal, Bandar arranged a secret trip by Cheney to Riyadh, where the Sunni versus Shi'ite war scheme was pitched to King Abdullah.

### **Brown To Distance Himself from the Hated Blair**

June 1 (EIRNS)—"There certainly is a political vacuum in Britain at the moment, with Tony Blair making his very prolonged 'farewell' tour. Blair is certainly in a strange mental state," a London source told *EIR* today. "People are counting the days until Blair goes: There are 26 to go!" Gordon Brown, who will succeed Blair as Prime Minister, is keeping a low profile until Blair is finally out on June 27, because he wants a smooth transition; but behind the scenes, he is certainly planning some surprise political initiatives which will appeal to the population, and finish off Tory leader David Cameron in time for the next parliamentary elections. Brown is presenting himself as a more "traditionalist" leader,

appealing to working people's needs, and moving away from Blair's "Third Way" ideology.

The Tories are headed for oblivion, along with Labour's Blair, in the opinion of this source. The Tories have been so demoralized since Blair's original resounding victory in 1997, that they have been desperately trying to out-do Blair ever since, and have gone down to one defeat after another. Among other "modernizations," Blair wanted to cut the focus on Shakespeare in English classes. The British workforce is certainly less skilled than it was ten years ago, and this is something Brown may also focus on to distance himself from Blair's policies, including the close ties to George W. Bush.

### **Brown To Expand Police-State Anti-Terror Laws**

June 4 (EIRNS)—British Prime Minister designate Gordon Brown today indicated he would seek the following measures against suspected terrorists:

- \* An extension of the limit on detention without charge to 90 days, from 28 days, with a weekly judicial review, in an attempt to co-opt House of Commons opposition.
- \* Making terrorism an aggravating factor in sentencing, giving judges greater power to punish terrorists within existing criminal law.
- \* Ending the ban on questioning terrorists once they have been charged under judicial review.
- \* Moving towards allowing wiretap evidence to be admitted into evidence pending a Privy Council review of the law.

Brown is clearly not distancing himself from Blair on the "war on terror."

### **Italian Cabbies Score Victory with LaRouche Movement Leaflet**

June 1 (EIRNS)—On the very day that Italian taxi drivers used a LaRouche movement leaflet as a key piece of their national strike against the deregulation of public transport services, the Italian government backed down and agreed to some of their demands. The drivers protested that in the name of the "free market," the sector was to be opened up to privatized services, which are already acting as bootleg operations, driving down wages and safety standards.

In a meeting with the taxi drivers held yesterday evening, Pierluigi Bersani's Development Ministry agreed to remove the provision which would have opened the sector up to "innovative services" to be performed by private companies. Any changes must now be made in the context of the publicly licensed taxi system and the municipal public transport company.

As EIR Online reported last week, all of Italy's 30,000-plus taxi drivers went on strike June 1, holding a large demonstration in downtown Rome.

In both Milan and Rome, thousands of leaflets written by Movisol (Movimento Solidarietà)—LaRouche's co-thinkers in Italy—were distributed by the strikers and their supporters during the demonstration, calling for an end to the deregulation policy which threatens numerous sectors of the productive economy, and the launching of an FDR-style public works program.

### **Video Game Aims To Brainwash Youth on Climate Hoax**

June 7 (EIRNS)—A new video game, "Operation Climate Control," will be unveiled at Britain's House of Commons on July 3 according to *Escapist* magazine. The game is the second in a series; the first, "Climate Challenge," was released in conjunction with the BBC earlier this year. The BBC wrote: "Operation Climate Control is geared toward students aged 14 to 16. This multiplayer game requires players to make the same environmental decisions that governments and individuals face daily."

In Climate Challenge, the player must decide to either cut economic growth or worsen CO<sub>2</sub> emissions. A future world is described in which "global population peaks mid-century and declines thereafter, and new and more efficient technologies are rapidly introduced." The new game is sponsored by a host of British private and government agencies, including the Climate Change Communication Initiative, the Energy Saving Trust, the Carbon Trust, the Department of Trade and Industry, the Environment Agency, the UK Climate Impacts Programme, and the Department for Transport.

## **Russia and the CIS News Digest**

### **Putin, Hu Plan China-Russia Investment**

June 9 (EIRNS)—Russian President Vladimir Putin and Chinese President Hu Jintao met June 8 at the G-8 meeting in Heilengendamm, Germany. They emphasized developing economic relations, as the two nations begin the second decade of their Strategic Partnership. The same day, Chinese Vice Prime Minister Wu Yi, who has overall responsibility for international economic relations, arrived in St. Petersburg, where she will speak at the St. Petersburg Economic Forum, *China Daily* reported.

Hu and Putin last met in March, when the Chinese President visited Moscow. Under discussion now is the creation of a business forum for increasing trade in machinery and electronics. China is promoting investment in Russia in infrastructure, processing, manufacturing, high technology, timber, and energy, Hu said. The two nations also want to cooperate to both rebuild China's former heavy industry region in the northeast, and develop the neighboring Russian Far East.

The two Presidents also discussed the upcoming summit of the Shanghai Cooperation Organization (SCO), which should be held in Bishkek, Kyrgyzstan, in early August. *Zee News* noted that Putin stressed the "broad spheres for Russian-Chinese interaction at the Shanghai Cooperation Organization [SCO]. It is possible to discuss major bilateral issues, including those economic and humanitarian, at the SCO." Putin might have been reflecting on the lack of such constructive discussion at the just-concluded G-8 summit.

### **SCO Joint Military Exercises To Be Held in August**

June 2 (EIRNS)—Russia has announced that joint military exercises of the Shanghai Cooperation Organization will be held in August. General of the Army Alexei Maslov, Russia's Ground Forces commander, said in Moscow June 1 that, of the six international counterterrorism exercises planned for the year, the "main will be a joint exercise of the Shanghai Cooperation Organization in August." To be held in the Russian Ural Mountain region, it will involve 500 vehicles from Russia and China, about 2,000 Russian and 1,600 Chinese personnel, a company (around 100 men) from Tajikistan, and smaller units from other members, including Kazakstan, Kyrgyzstan, and Uzbekistan, the general was quoted by RIA Novosti. China's troops may travel either via Kazakstan, or cross the border in the Far East.

### **Russia Boosts Floating Nuclear Plant Exports**

June 5 (EIRNS)—Sergei Krysov, deputy general director of Rosenergoatom, the Russian state-controlled concern overseeing nuclear power plants, announced plans to expand the production and export of floating nuclear power plants (NPPs). Krysov's statement, made in Moscow June 4 and reported by Russian news agencies, follows Russia's successful laying of the foundation of the first floating NPP in April of this year in the northern city of Severodvinsk. He said 20 countries have shown interest in the floating NPPs, including Indonesia and China. China would buy or jointly build a floating plant after the Severodvinsk plan is completed in 2010, RIA Novosti reported.

Critically for developing nations, Krysov also said that Rosenergoatom plans "to design the export modification [of the floating nuclear plants] by 2014, while the pilot sample will be ready by 2010." He added, "We will be holding negotiations [with prospective clients in third countries] before that," reported the Russian news agency Interfax today. A delegation of Rosenergoatom Floating Nuclear Plants Directorate officials will meet with the Cape Verde Energy Ministry to discuss construction of a plant off the Cape Verde Islands, located off the west African coast, Krysov said.

These plans to expand production of floating NPPs hold great potential for nations which now lack infrastructure, but which need access to cheap, clean energy to for housing, schools, and factories, and to supply fresh water for agriculture. With floating NPPs, a nation need only have navigable waterways and/or a coastal border to station a plant which will not only generate power, but also desalinate water. While the floating NPPs cost more than conventional nuclear powers plant to build, they are a much cheaper solution than hauling diesel or coal to remote locations for conventional power plants.

"We hope that Western countries will be ready for contracts on cooperation in floating NPP projects after the prototype power unit is completed," Krysov said.

## **Russians See Blair as Has-Been**

June 8 (EIRNS)—British Prime Minister Tony Blair got the full "has-been" treatment from Russia and the rest of the G-8, report all the British press, from tabloids like the *Daily Express* to the stuffy *Financial Times*. Blair, labeled "yesterday's man," was most effectively dismissed with what the *Express* called a "withering" attack from Russian Deputy Finance Minister Sergei Storchak.

After Blair's blather about his plans for a "frank talk" with Russian President Vladimir Putin at the G-8, and his having tried to tell business not to "risk" investing in Russia, Storchak told the press at Heiligendamm, "I doubt business will react emotionally to what I believe are the rather emotional words of a person who is, after all, an ex-Prime Minister." Blair's planned talks with Putin might not even be held, the *Express* said.

Even George Bush was dismissive. Blair was frozen out of both the Bush-Putin talks and Bush's talks with German Chancellor Angela Merkel.

## **Southwest Asia News Digest**

### **Palestinian Ambassador in Public Dialogue with EIR**

June 5 (EIRNS)—In opening remarks to the Palestine Center Symposium on "40 Years After the 1967 War: The Impact of a Prolonged Occupation," Palestinian Ambassador to the U.S. Afif Safief, cut through the usual rhetoric about the "Road Map" and the "peace process" by asserting that Israel has adopted the doctrine of permanently annexing the Palestinian lands up to the Jordan River. And, in a well-placed critique of the farce of Secretary of State Condoleezza Rice's frequent trips to his region, Safief noted that whenever Rice says anything, National Security Council staffer Elliott Abrams tells Jewish Republicans: Don't worry, it's all process and no substance.

Reflecting on the anti-Franklin Roosevelt paradigm-shift which occurred in U.S. policy towards the region after President John F. Kennedy's assassination, the ambassador related an anecdote from the biography of former Israeli Prime Minister Golda Meir. She recounted that when Meir attended the Kennedy's funeral, the new President, Lyndon B. Johnson, leaned over to assure her that now that he was President, there would never be a danger that the U.S. would repeat what "Eisenhower did" in 1956. What Eisenhower had done was to pressure Israel to give up its military attack, with France and Britain, on the Suez Canal. Safief also rejected the assertion that Israel had to act precipitously in 1967 because its existence was threatened. Facing off against Egypt, Israel had 3,000 bombers that could carry out six sorties per day, while Egypt had 1,000 bombers that could carry out only two sorties per day, he said.

An *EIR* reporter asked the opening question, saying she agreed with Safief's characterization of the Israeli "rejection of Arab acceptance," and drew attention to the national drive to impeach Vice President Dick Cheney, which *EIR* supports, and which is now a bill in the U.S. Congress (H.R. 333) introduced by Rep. Dennis Kucinich (D-Ohio). *EIR* pointed to Cheney's Middle East advisor, who is an "author of 'Clean Break,' which seeks to eliminate the two-state solution completely," and asked whether Safief sees any chance for peace under this Bush-Cheney Administration.

Safief answered by reiterating a challenge to the Palestinian leadership—they must see that a common position of courage, creative ideas, and the engagement of the intelligentsia in the political process is vitally necessary. He commented that he has spent 18 months "on the lecture tour" on U.S. campuses and other locations, and sees that "this is a fight for the hearts and minds that we can win," and that the population is moving towards embracing justice.

### **Call for a Palestinian State with Jerusalem as Capital**

June 8 (EIRNS)—The Pakistani Ambassador to the United Nations, Munir Akram, speaking as the chairman of the Organization of the Islamic Conference (OIC) group at the United Nations in New York, said today: "Peace in the Middle East can only be attained by an Israeli withdrawal from the Arab lands, including the Occupied Palestinian Territories and East Jerusalem, as well as the occupied Syrian Golan, and the realization of two states living side-by-side in peace."

"Without a just settlement of East Jerusalem, which must be the capital of an independent and sovereign Palestinian State, there can be no durable peace in the Middle East," the ambassador added.

### **Members of Congress Reject 'Korea Model' for Iraq**

June 9 (EIRNS)—Leading members of the House of Representatives took on the White House assertion that they are adopting the "Korea model" and have no intention of ending the Iraq occupation for decades—maybe the next century. As *EIR* has reported, neo-con luminaries such as Eliot Cohen and Irving Kristol were, within days of 9/11, talking about a "Hundred Years' War" on terrorism.

But leading members of Congress have taken aim again at the White House's failed policy in Iraq.

Rep. John Murtha (D-Pa.) told ABC-TV's "This Week" June 3, "There's a bloodbath *now* that is going on" in Iraq, and the only solution is for the U.S. to redeploy out of the country. Murtha also demonstrated today on the ABC News show, "This Week," that he is one of very few elected officials with a competent and full intelligence picture on Iraq.

Murtha said that in order to stop the civil war, the Iraqis have to "change their constitution," which now excludes the mostly Sunni former members of the Ba'ath Party. He said that every important indicator points to failure: for example, the high number of Iraqi civilians and U.S. soldiers killed this month; the fact that there is *less* education and less production

of oil and other necessities than before the war. These have to be taken up by the Iraqis themselves. This situation is not being adequately reported, said Murtha, adding, "I've lost a lot of confidence in a lot of military leaders, because they say what the White House wants them to say."

Murtha rejected any permanent U.S. presence in Iraq as in the "Korea option," now being mooted by Administration officials. "The Korea model is not realistic," Murtha said. "How are you going to resupply these troops?" He reiterated his call for a redeployment of the troops in Iraq to isolated posts away from the center of action. When queried about the incremental "drawdown" of troops being floated by Iraqi commanders Petraeus and Odierno, Murtha said that the numbers that have been proposed are just not sufficient, and would leave the troops as easy targets in a civil war.

When the need for new appropriations comes up again in September, there will perhaps be a bigger, even veto-proof majority that will set a timetable for withdrawal.

Then on June 8, a bipartisan grouping led by Republican Rep. Ron Paul of Texas, and Democrat Rep. Neil Abercrombie of Hawaii, introduced a bill which would terminate the Iraq War authorization in six months. The bill, H.R. 2605, would "sunset" the 2002 Authorization for the Use of Military Force Against Iraq, 180 days after the bill is signed.

In a statement introducing the bill, Paul noted that the original objectives of the 2002 Authorization are over. "With both objectives of the original authorization completely satisfied, Congress has a Constitutional obligation to revisit this issue and provide needed oversight and policy guidance. We ignore this obligation at risk to the United States and, very importantly, to our soldiers in harm's way in Iraq," the Congressman stated.

### **EI Baradei Warns: 'New Crazyies' Want To Attack Iran**

June 2 (EIRNS)—Dr. Mohamed ElBaradei, director of the International Atomic Energy Agency, warn that "new crazyies" want to bomb Iranian nuclear facilities. Although not naming names, the UN nuclear watchdog's obvious reference was to the neo-con cabal around Vice President Dick Cheney, made in an interview for a BBC Radio 4 documentary that was aired on June 1. In his strongest warning yet, ElBaradei said, "I wake every morning and see 100 Iraqi innocent civilians are dying. I have no brief other than to make sure we don't go into another war or that we go crazy into killing each other. You do not want to give additional argument to new crazyies who say, 'Let's go and bomb Iran.'" Asked who the "new crazyies" were, he replied: "Those who have extreme views and say the only solution is to impose your will by force." He added the point that you cannot "bomb knowledge," and attacked such thinking, pointing to the disastrous consequences of the war in Iraq.

ElBaradei did not have to mention Cheney's name for Secretary of State Condoleezza Rice to get the message. In a press conference in Madrid, Rice tried to claim that everyone, including Cheney supported her policy. "The President of the United States has made it clear that we are on ... a diplomatic course. That policy is supported by all the members of the Cabinet and by the Vice President of the United States."

Earlier in the week, more than one of Cheney's aides, including David Wurmser, were quoted as saying the diplomatic track was useless. The *International Herald Tribune* cited unnamed European officials who expressed serious worry that Cheney's "red line," where he deems a strike should be launched, may be coming soon.

### **British Military Pro Says: Admit Defeat in Iraq**

June 1 (EIRNS)—Former British military commander, Gen. Sir Michael Rose, said the situation in Iraq was impossible, and that the occupying powers should leave. Rose, who commanded the United Nations Protection Force in Bosnia-

Hercegovina from 1994 to 1995, said, "There is no way we are going to win the war and [we should] withdraw and accept defeat because we are going to lose on a more important level if we don't." He said a withdrawal date should be set. "Give them a date and it is amazing how people and political parties will stop fighting each other and start working towards a peaceful transfer of power," he said, according to AFP today.

Speaking at the annual Hay Festival of Literature and the Arts in Hay-on-Wye, Rose compared the war with the American War of Independence. He said: "How was it a small and extremely determined body of insurgents, thieves, and deserters [sic] could inflict such a strategic and potentially disastrous defeat on the most powerful nation in the world? The answer will be familiar to anybody who is looking at what is happening in Iraq today. Those who don't read history are condemned to repeat the mistakes of the past."

### **Israeli Military Official: Syria Does Not Want War**

June 6 (EIRNS)—Following weeks of loose talk of an alleged war danger posed by Syria, an unnamed senior official of the Israeli Defense Forces told the *Jerusalem Post* that Syria has no intention of starting a war, but "unnecessary chatter" can lead to "a military escalation."

All intelligence reports show that Syria has no intention of starting a war, the IDF official told the English-language Israeli daily. He criticized various institutions for "creating a wartime atmosphere and a misleading feeling that there were preparations for a violent conflict either on the Israeli side or on the Syrian side.... This wartime atmosphere has nothing to do with reality or with the assumptions of army intelligence. It may cause a crisis in itself. In the past, unnecessary chatter caused military escalations that were not in keeping with the wishes of the leadership."

## **Asia News Digest**

### **Afghan President Ridiculed by His Own Advisor**

June 4 (EIRNS)—Washington's man-in-Kabul, Afghan President Hamid Karzai, has been identified by his senior security advisor Mohammad Qasim Fahim as a weak, foreign-influenced leader, whose government would not last even a week if Western troops left the country, reported the *Payame Mujahid* weekly. Fahim was previously one of the Vice Presidents, as well as Defense Minister, in President Karzai's Cabinet.

Karzai has been leading Afghanistan since U.S.-led forces and local Afghan militias, including one under Fahim, removed the Taliban from power in 2001. Under his leadership, Washington had Presidential and parliamentary elections held, and gave the world a false image that Afghanistan has a functional democracy, and is not an occupied country.

Blaming Karzai for the present crisis in Afghanistan, Fahim said: "If today the foreigners desert Afghanistan ... then it will be seen for how many days the national army of Mr. Karzai will resist. Nothing will remain stable even for a week."

### **Ungovernability Spreads in Afghanistan**

June 6 (EIRNS)—Despite assurances issued from the Pentagon and NATO commanders in Afghanistan, it is evident that more and more territory in Afghanistan is becoming dangerous. A year ago, a section of Afghanistan's North, Northeast, and the entire West was peaceful, but no more, say aide workers there.

A series of UN "security accessibility maps" obtained by the London *Independent* paint the same picture, showing areas

considered to be in the top danger category spreading across the country in the past year. In June 2006, few places fell into this category. The change since then is stark. According to the May 2007 map, almost all of Helmand, Kandahar, Zabul, and Uruzgan are regarded as extreme risk/hostile environments. Huge sections of the eastern border with Pakistan also fall into this category. Two extreme-risk areas now sit on the fringes of Kabul province, and a high-risk area even exists inside the boundaries of the capital city.

Acbar, the agency that acts as a link between 94 NGOs and the Afghan government, is worried about the impact that insecurity is having, particularly in the South. Acbar's director, Anja de Beer, told the *Independent*: "The radius of activities is shrinking. It's more difficult to go out to further away districts, because travelling there is more dangerous." A similar view was expressed by Gyan Bahadur Adhikari, the country director of the NGO, ActionAid, whose four Afghan associates—including three women—were shot dead last year in the northern province of Jowzjan. Asked if the situation were getting worse, he replied: "Yes, that is obvious. In the north I used to hear nothing about suicide bombing, now it has started.... I cannot particularly calculate what is going to happen tomorrow—that makes me worry," he added.

## **U.S.-India Nuclear Cooperation Talks Hit a Dead End**

June 5 (EIRNS)—What was billed as a visit to New Delhi to finalize the U.S.-India nuclear cooperation talks, by U.S. Assistant Secretary of State for Political Affairs Nicholas Burns, turned out to be a no-show, when he failed to appear for a joint press conference. A source in the Indian nuclear industry observed, "Burns burnt his fingers in the Indian heat."

What was at stake were the not-so-subtle attempts by the Bush Administration to cap India's nuclear capabilities, by denying reprocessing rights, and insisting that New Delhi yield on harnessing of thorium—a relatively cheap source of nuclear energy—for its three-stage program to generate electricity. Washington also wanted a *carte blanche* statement from New Delhi that India would never test nuclear explosives again.

Reprocessing is needed to separate plutonium 239, a by-product from the first stage of India's program, which is pretty much in place, and use it with thorium to fuel fast breeder reactors (FBRs), which is the second stage, and has begun to take shape. The FBRs breed more fuel than they consume. In the third stage, which is now under way, uranium 233 (extracted via reprocessing) will fuel the FBRs to generate electricity. The three-stage program was designed to overcome the scarcity of uranium in India by relying on its abundant reserves of thorium, thereby avoiding fuel dependency.

## **Some Indian States Defy New Delhi Diktat on Ethanol**

June 5 (EIRNS)—Despite the directive issued by India's Ministry of Oil and Natural Gas to the oil companies in India, to sell 5% ethanol-blended petroleum (EBP), some state governments have virtually blocked the order by not issuing permits to the oil companies to buy ethanol, or by imposing an exorbitant tax on ethanol, particularly in non-ethanol-producing states. The reason cited by the state officials for their defiance, is that the high cost of ethanol does not make it cost-effective for oil firms. Landed cost of ethanol is mostly higher than the benchmark price of landed cost of gasoline at a particular location, including transportation costs and all taxes and duties. (Landed cost is the sum of all costs associated with making and delivering products to the point where they produce revenue.)

Ethanol-blended petrol was touted as the beginning of a new, environmentally friendly era of "green" transport fuels, something that would bring about a major change in the country's energy sector.

## **China Building the World's Longest Cross-Ocean Bridge**

June 4 (EIRNS)—China is now completing the longest cross-ocean bridge in the world, the Hangzhou Bay Bridge. The

bridge, to open in about one year, will be 36 km long, seven times longer than the Denmark-Sweden Oeresund Bridge, and long enough to span the English Channel at Dover. The cable-stayed bridge will cross the Hangzhou Bay in Zhejiang province, on China's east coast, from Ningbo to the port of Zhapu, south of Shanghai. Ningbo, with a population of 5.3 million, is one of China's four big deepwater ports; Shanghai, with 18.6 million people, is China's most populous and biggest industrial city. Overall, some 100 million people live in the Yangtze River Delta region.

When finished, the bridge, which was begun in June 2003, will cut some 120 km off the travel distance between Shanghai and Ningbo, cutting travel time in half and significantly lowering transport costs. The bridge will carry six lanes of traffic each way, with a rest area built on piles in the middle of the span. It is a big engineering feat not only because of the length: Hangzhou Bay is famous for its very high tides, and waves that can reach eight meters. The bridge will be the final link to connect the highway from Beijing to Shenzhen and Hong Kong in the South.

## **Musharraf Under Pressure from Washington**

June 8 (EIRNS)—Facing a surge of demonstrators demanding that he face re-election by Pakistan's parliamentary system, rather than through dictatorial edict, Pakistani President Pervez Musharraf clamped down on a number of private media June 4, to prevent further incitements against him. However, on June 7, under pressure from Washington and elsewhere, Musharraf decided to suspend the implementation of the June 4 ordinance. The withdrawal is considered by the demonstrators as their victory.

Today, an unnamed senior U.S. official told Reuters that the Bush Administration was not aware of any plans by Musharraf to declare emergency rule, but "if he did that, it would be a significant step backward and ... of course we would not want it to happen," said the official, who spoke on condition of anonymity because of the sensitivity of the matter.

## **China Rejects Climate Dictates, Demands Human Progress**

June 4 (EIRNS)—"The first and overriding priorities of developing nations are sustainable development and poverty reduction," stated Ma Kai, Minister of China's National Reform and Development Commission (NRDC), at a press conference today in Beijing, as he released the government's General Work Plan for Energy Conservation and Pollutant Discharge Reduction. "The ramifications of limiting the development of developing countries would be even more serious than those from climate change." China is committed to limiting pollution, Ma Kai said, reported Xinhua. "To protect the environment and mitigate against the effects of climate change, we have taken it upon ourselves to take action. But it is neither fair nor acceptable to us to impose too early, too abruptly, measures which one would ask of developed countries." Ma Kai was also dismissive of the allegations that China, on top of being a "military threat" and an "oil-consuming threat," now is also the latest "greenhouse gas threat," and might soon "overtake" the United States as the world's biggest carbon emitter. "This talk of China being a threat baffles me. The level of our emissions per capita is a fraction of that of the United States. These kinds of accusations are groundless and unfair," the minister said.

"In the development history of human beings, there is no precedent where a high per-capita GDP is achieved with low per-capita energy consumption," states the NRDC's just-published China National Climate Change Program. China's program is to improve energy efficiency through technological improvements, while moving to shut down and replace outdated and inefficient industries.

## **Africa News Digest**

### **Sudan Turns Back French Attempt To Interfere in Darfur**

June 11 (EIRNS)—Sudanese Foreign Minister Lam Akol today turned down a French effort to launch a new initiative to host a meeting of key nations on June 25 to deal with the conflict in the Darfur region, after meeting French Foreign Minister Bernard Kouchner in Khartoum, according to Reuters. Kouchner arrived yesterday from Chad, for a two-day visit.

Lam Akol said the timing was not right, and that his country preferred to await the outcome of African Union and United Nations efforts to get peace talks back on track and put together a peacekeeping force for Darfur.

"At this particular time when we are ... waiting for the roadmap ... to be announced, we don't want any distraction," Akol said today. "We think that ... the time may not be opportune for that meeting,"

The UN, African Union, and the Sudanese government are meeting today in Ethiopia to work out details of a hybrid force to help restore order in Darfur.

Since President Nicolas Sarkozy took office, France has taken a more active stance towards intervening in the Darfur region. Before his trip to Africa, Kouchner had been pushing the idea of establishing corridors from Chad into Darfur, ostensibly for aid deliveries. On June 3, Chad turned down this idea, but after meetings in Chad, before arriving in Sudan, Chad's position has reportedly softened.

After meeting Kouchner yesterday, Chad President Idriss Deby said: "We are agreed on the principle of deploying a force, but there are still some points to resolve, on which we must agree. The results of the discussions will be made public before the 25th of this month. The discussion will be on the formula of this force." Chad has repeatedly asked for help with conflicts stemming from refugees coming into Chad from the Darfur region of Sudan, but had always insisted that any international force on its own territory should be made up of police and gendarmes, not soldiers.

The French Foreign Ministry, as well as international news organizations, play up Kouchner's role as one of the founders in 1971 of the humanitarian organization "Doctors Without Borders." However, no mention is ever made of the fact that he has had nothing to do with the organization since 1979. The reason Kouchner is that he has had public disagreements with the organization on such issues as the right to intervene and the use of armed force for humanitarian reasons. Kouchner is in favor of the use of armed force, whereas Doctors Without Borders only wants impartial humanitarian action, independent from all political, economic, and religious powers. The only time Doctors Without Borders has ever agreed with armed intervention, was during the genocide in Rwanda.

## **Bush Threatens Sudan with Sanctions If UN Fails To Act**

June 7 (EIRNS)—After meeting with British Prime Minister Tony Blair this morning before the G-8 meeting, President Bush threatened that he would take his own line of action against Sudan, if the UN failed to take sufficient action on Darfur, according to a Xinhua report today. "I will be stressing, along with Tony [Blair], the need for nations to take action," said Bush.

"If the UN won't act, we need to take action ourselves, and I laid out a series of sanctions that I think hopefully will affect [Sudanese President Omar] al-Bashir's behavior."

Bush is also pushing for a new, tougher UN Security Council resolution to impose sanctions on Sudan.

Bush's remarks came just one day after Sudan's Foreign Minister Lam Akol said that "the imposition of sanctions is definitely going to harm the peace process as well as the Darfur people." He spoke at a video conference broadcast from

Khartoum, at Washington's National Press Club. "The first casualty of these sanctions, coming at the time that they did, is the peace process," he said, adding that the sanctions are scuttling efforts "that are meant to bring about the peaceful resolution of the problem in Darfur."

"Definitely everybody is perplexed and surprised as to why such a decision would come at this particular time when we are about to finalize what was asked of all of us to do," Akol said.

Lam Akol (who was an anti-government fighter from the South before the South's peace agreement with the government) accused the United States of obstructing efforts of the international community to resolve the crisis in the western Sudanese region of Darfur. "The U.S. took the decision on the sanctions to create confusion that obstructs the efforts of the international community for finding peaceful solution for the Darfur problem," he said.

He said that the recent U.S. decision on the sanctions had encouraged the Darfur rebel movements to boycott the peace negotiations with the government. He urged the Darfur rebel movements to unify their positions so that the peace negotiations could be resumed as soon as possible, welcoming any positive initiative from other countries in this regard.

### **Sudan Ambassador: Bush Sanctions 'A Death Sentence'**

June 8 (EIRNS)—Eight of the 31 companies in Sudan that have been targetted for unilateral economic sanctions by the Bush Administration, are involved in agriculture or the food supply. On May 29, President Bush announced sanctions on three named Sudanese individuals, and 31 companies, consisting of a ban on doing business with any U.S. company or bank. The eight are: Arab Sudanese Blue Nile Agricultural Company; Arab Sudanese Seed Company; Arab Sudanese Vegetable Oil Company; Guneid Sugar Company Limited; New Halfa Sugar Factory Company Limited; Sennar Sugar Company Limited; Sudan Gezira Board; and Sudanese Sugar Production Company Limited.

The Gezira Board relates to one of the most productive agriculture regions in all of Africa. Four sugar companies are targetted. Sudanese Ambassador to the U.S., John Ukec Lueth Ukec, during a June 2 interview on the weekly Internet radio program, The LaRouche Show. (audio on [www.larouchepub.com/radio/archive\\_2007.html](http://www.larouchepub.com/radio/archive_2007.html)) called the action "a death sentence" (see this week's InDepth for the interview).

Treasury Secretary Henry Paulson gave as the reason for the broad sweep of companies targetted: "These companies have supplied cash to the Bashir regime, enabling it to purchase arms and further fuel the fighting in Darfur."

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