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To Avoid War, We Need a New Roosevelt-Type IMF System

Lyndon LaRouche held a closed-door discussion July 19 with 25 Washington-based diplomats representing 20 countries from Eurasia, Africa, and Ibero-America. As per tradition, LaRouche's opening remarks were recorded and transcribed, but the discussion afterwards was off the record.

LaRouche began by noting, "This is not yet August, but as I think back to Augusts in the past, I think of August 1914, August 1939." There exists now a "virtual state of war" between Russia and Great Britain, he said. Citing signs of the onrushing economic crisis, such as the recent collapse of two Bear Stearns hedge funds, and the *New York Times* report of the cost of a can of soda in Paris (\$5.52), LaRouche said, "Under these economic conditions, war becomes likely." Noting particularly Dick Cheney's drive to start a war with Iran, LaRouche said, "It wouldn't be war in the simple sense of World War I and World War II, but something comparable."...

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Cover Story

[LaRouche to Diplomats: To Avoid War, We Need a New Roosevelt-Type IMF System](#)

[Beware the guns of August!](#)

Citing signs of the onrushing economic crisis, Lyndon LaRouche, addressing a private gathering of diplomats, warned that 'under these economic conditions, war becomes likely,' and that Dick Cheney's drive for war against Iran compounded the possibility of world war. But he emphasized that 'the alternative is also on the table,' which would involve a process of engagement by the United States with Russia, China, and India.

[The Guns of August 2007: Cheney's Finger Is Already on the Trigger](#)

Dick Cheney, right after G.W. Bush's return to Washington from the promising Kennebunkport summit with Russian President Putin, convinced Bush to resume a preemptive war policy: that diplomacy wasn't working in the case of Iran.

International

['Something Is Rotten in the U.K.': Great Britain Escalates Crisis With Russia](#)

Helga Zepp-LaRouche reports that Britain has launched an anti-Russia campaign because under President Putin's leadership, Russia is resisting the idea of an AngloAmerican world empire. The British have gone to the extreme, in an attempt to revive Cold War fears, lying that two Russian long-range bombers had suddenly headed for Great Britain, when they were only on maneuvers that been planned six months ahead of time.

[The Geostrategic Import of the Coming Bay of Bengal Naval Exercise](#)

[Pakistan in the Shadow of the Lal Masjid Raid](#)

[What's Wrong With Germany's Politicians?](#)

[Rescuing Germany From the Green Paradigm](#)

[Alfonso López Michelsen: May the Empire He Served Be Buried With Him](#)

[LaRouche Youth in South Africa Seek To Develop the Continent](#)

The LaRouche Youth Movement has established itself in South Africa, and has given itself the task of changing the destiny of the continent, through the absorption of the highest technological level known to mankind.

National

[National News](#)

Economics

[Build the Missing Link: Alaska-North America Rail](#)

Dr. Hal B.H. Cooper, Jr., a transportation engineer and one of the leading collaborators of the LaRouche movement in promoting development corridors and rail links, presented this paper as the keynote to a Sept. 28-30, 2004 forum in British Columbia. His speech on 'The Alaska Canada Railway Corridor Project' draws upon a feasibility study sponsored by the Canadian Arctic Railway Co., to which he was a consultant.

[Yes! It Really Is Gambling](#)

What most people call economics is not economics. They believe in gambling! What they call a financial system is a gambling system.

[Put the Toothpaste Back in the Tube: Rebuilding FDR's Dedicated Lending System for Housing](#)

[Whose 'Foreclosure Crisis'?](#)

[Resolutions To Deal With Housing Crisis](#)

[Business Briefs](#)

Feature

[Retort to the New York Times: Music: 'Science or Fantasy?'](#)

A seemingly routine book review by the New York Times' Edward Rotstein, Lyndon LaRouche writes, 'may attract the attention of the witting to a seemingly little matter of actually great importance.' Rotstein reviewed a new book, by Lawrence Kramer, titled Why Classical Music Still Matters. What is it that J.S. Bach, Wolfgang Amadeus Mozart, and Ludwig van Beethoven knew, that Rotstein and Kramer do not even suspect? And why is

an understanding of the work of astronomer and mathematician Johannes Kepler so crucial to anyone who wants to make fundamental progress in advancing Classical music and culture today— as the LaRouche Youth Movement has found?

Departments

Banking

Oops! \$9 Billion Turns to Dust.

Movies

'Sicko': Effective, But Falls Short

Editorial

Is Cheney Planning a New 9/11?

U.S. Economic/Financial News

Fed Launching Review of Subprime Mortgage Lenders

WASHINGTON, July 18 (EIRNS)—As the housing market collapse accelerates, three Federal agencies and two associations of state regulators said July 17 that they will launch a pilot program in the fourth quarter, to review the practices of lenders and mortgage brokers with significant subprime mortgage operations, to see whether they are complying with consumer-protection laws. Up until now, most subprime lenders have not faced federal oversight; only 25% of subprime loans in 2005 were made by federally regulated banks, thrifts, and credit unions.

Rep. Barney Frank (D-Mass.), chairman of the House Financial Services Committee, hailed it as "a step forward," but added, "It won't preempt a need for legislation."

The agencies collaborating on the effort are the Federal Reserve, the Office of Thrift Supervision, the Federal Trade Commission, and state agencies represented by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators.

Bernanke Sees \$100 Billion Losses in Mortgage Bubble

July 20 (EIRNS)—Federal Reserve Chairman Ben Bernanke—who was warned a month ago by *EIR* that the mortgage meltdown was "much worse than he thinks"—estimated in Congressional testimony, that there will be \$100 billion in hedge fund and bank losses in the mortgage bubble that his predecessor Alan Greenspan largely created. Bernanke testified before the Senate Banking Committee on July 19.

Bernanke's public estimate is well down on the low end of bank and real estate analysts' estimates of these losses, and even

Standard & Poors' forecast, in a July 14 report, that the losses will be in the \$400-500 billion range. Hedging his bets that the subprime mortgage losses might go higher, Bernanke added, "A lot of the subprime mortgage paper is not as good as was thought originally," as he notified the Senators that he is now working with some banks to assess the value of their mortgage assets, such as collateralized debt obligations (CDOs)—pools of bonds backed by subprime home loans.

The Fed chairman was careful not to leave any room for speculation that he might cut short-term interest rates in response to the accelerating collapse of the mortgage bubble. In fact, he can't lower them, because the dollar is sinking, and the yen carry trade could be rapidly "unwound" by U.S. interest rate cuts, worsening the market crisis.

Chrysler Takeover in Doubt as Credit Markets Sink

July 19 (EIRNS)—The potential is emerging for a breakdown in the Cerberus Capital Management takeover of Chrysler Corp., as the U.S. mortgage bubble meltdown and hedge fund losses crunch the world's credit markets. This is one of at least a dozen "completed" takeovers actually in trouble in the stage of rounding up the junk-bond financing. International banks have already had to swallow \$11 billion or more in losses from bonds they could not sell in takeovers they had committed to finance; and despite announced figures, the Cerberus/Chrysler takeover is one of the biggest, in terms of the financing that banks have to come up with.

Economists watching the private equity takeover markets have told *EIR* that the six big banks financing this Cerberus takeover have suddenly seen the interest rates they have to offer on the junk bonds, rise by between one-half and one percent, i.e., to near 9%. And that's just on the first, small stage of the deal—the takeover of Chrysler's automotive operation.

The much bigger part of the takeover is the refinancing of Chrysler Financial, in preparation for its likely merger with GM's financial arm GMAC, already controlled by Cerberus. This is the central reason for the takeover, and it requires financing of \$50 billion or more. The sources say that when Cerberus's six big syndicating banks try to raise these bonds at the beginning of September, they will be facing interest rates 1.5% higher than they planned when the takeover was announced.

That difference in financing costs is prohibitively large on a debt deal this big, and shows how quickly the credit market is deteriorating. It is likely to throw the whole takeover into a cocked hat.

Index of U.S. Homebuilder Confidence Hits Record Lows

July 17 (EIRNS)—The National Association of Home Builders/Wells Fargo index of homebuilders dropped 4 points to 24 in July, indicating that only about 25% of the nation's homebuilders rated the current housing market as "good." The figure is the third-lowest in the 22-year history of the survey, and the lowest recorded since the housing slump in 1991, when it registered a 20. A year ago, the figure stood at 39, and a year before that at 72. Analysts had expected a 2 point drop, but interpreted the 4 point drop as confirmation that the market was not poised for a "recovery" any time this year.

UAW Workers' To Lose Health Care, Pension Benefits

July 17 (EIRNS)—Negotiations are to begin on July 20, in Detroit, between the United Auto Workers and Ford, GM and Chrysler. According to the *Washington Post* today, the "Big Three" automakers may well succeed in getting the UAW to agree to a radical shift in the provision of employees benefits packages.

The burden of health and pension benefits for retirees will be shifted to the UAW by way of a one-time, lump-sum

payment of cash and stocks from the manufacturers. The union will use this to create and manage a special trust fund for the retiree benefits. This health-care trust model, known as a voluntary employee benefit association (VEBA), was used as part of contract hammered out between Goodyear Tire and the United Steelworkers union, and between the UAW and Dana Corp.

So far, it is unknown how the Big Three will come up with the billions needed to fund the huge trust, but, according to the *Post*, "by each company making one last, mammoth payment and handing responsibility to the unions, the automakers would dispose of more than \$117 billion in projected costs, according to their figures."

Former UAW president Doug Frasier warns of major pitfalls. "It looks like you are going to get something for nothing," Frasier said. "It seems like we have a 'eureka' button. God help us if we go into a depression or recession and the value of the fund plummets, and the UAW is sitting there with this huge liability."

World Economic News

'Death Bonds': New Financial Scam, as World Financial System Expires

July 21 (LPAC)—"Death Bonds" is the cover story the July 30 *Business Week*, reporting on a ghoulish new financial scam known as, "life settlement-backed securities." Big investment firms such as Bear Stearns and Lehman Brothers are beginning to eye the profit potential in the 90 million or so life insurance policies Americans own.

What began in the 1980s as the business of "viaticals" (from *viaticum*, the communion given to the dying), morphed into the life-settlement business, where brokers buy life insurance policies from those wishing to cash out their policies early. The brokers, betting on the early death of the insured, pay the policies until the death of the recipient, then take the proceeds. Now the vultures are swooping in to buy up these policies, bundle them, and sell them to big-time investors, including pension funds.

The attraction of the death bond "product" is two-fold: As Baby-Boomers age, the market expands; and death bond performance is uncorrelated with other developments in the financial markets, making a great hedge in an increasingly unstable financial world. People just keep dying, whether the commodities markets collapse or expand.

The multitude of sordid and illegal "insider trading" schemes is mounting as the stakes get higher. For example, in Los Angeles, unscrupulous brokers raised \$69 million for a trust, Persistence Capital, and bought policies on over 2,000 members of an African American church. Death benefits of \$275,000 would be divided up as follows: \$15,000 in death benefits to each church member who died; \$20,000 for the church; and \$240,000 to the trust. Investors were wooed with statistics showing that African Americans were more likely to die than the average, so that a bundle of African American policies would have a yield of 25%.

The obvious next step to increasing profits is obviously *hastening* the journey of the recipient to the afterlife.

Singapore Now, a New, 'Safe' Source for Carry Trade

July 18 (EIRNS)—With Japan and Taiwan tightening their currencies, speculators are moving to Singapore for the "cheap money" they need for the carry trade, reports *Bloomberg's* Andy Mukherjee on July 18. Taiwan is trying to limit or end the mass borrowing of its currency for investment in high interest-rate nations. Singapore, writes Mukherjee, now has 2.4% rates, almost 1 percentage point lower than at the beginning of the year, while Taiwan's effective rate is 2.6%. Japan's rate is still at 0.5%, but is likely to be raised soon.

Singapore, the British banking outpost in Asia, is unlikely to move against the speculators, according to Mukherjee, despite the fact that its property market and the stock exchange are "in a frenzy."

Another Big Hedge Fund Wiped Out by MBS

July 19 (EIRNS)—Less than 48 hours after Bear Stearns declared its two big hedge funds worthless from investing in mortgage-based securities (MBS) and their derivatives, another large hedge fund appears wiped out, as reported in the *Financial Times* July 19. The Basis Capital Fund, recently managing assets worth \$1 billion, and headquartered in Australia, had tried only last week to survive by stopping investor withdrawals. But now banks have seized its MBS assets as collateral and started to sell them off, further worsening the pressure for losses throughout the multi-trillion-dollar MBS markets. Basis Capital said it missed margin calls, and was in crisis negotiations with its bank creditors JP Morgan Chase, Citigroup, and Morgan Stanley.

Whoops! Hedge Fund Losses Suddenly Showing

July 20 (EIRNS)—An entire hedge fund index which, on July 16, had reported hedge fund assets were up in June and for the year, had to correct its index on July 19 to show big losses!

The July 20 London *Financial Times* reported that the Credit Suisse/Tremont Hedge Index published a report on July 16 showing its index of hundreds of fixed-asset arbitrage hedge funds up 0.2% in June, and 3.7% up for the year to date. But three days later, its corrected index showed the same funds having lost 6% of their assets in June, and down 7.5% for the year! The index includes the two wiped-out Bear Stearns hedge funds, but also many other "late reporting" funds which suffered losses.

Russia Threatens to Pull Companies Out of the LSE

July 20 (EIRNS)—Russian companies may just have to pull out of the London Stock Exchange if the current tensions between the two countries continue, Alexandre Shokhin, president of Russia's Union of Industrialists and Entrepreneurs, said in Moscow on July 19. "If events develop in this key, Britain's trading floors traditionally favored by Russian companies, including state-run companies, would start losing ground, and Continental exchanges will obtain an opportunity to attract Russian companies to their bourses," Novosti quoted Shokhin.

"Perhaps, under broadly equal conditions, some companies may fail to win tenders," Shokhin said. "There is nothing to stop the British from saying that managers of state-owned corporations are also state officials. In addition, many officials who sit on boards of directors will fail to enter the U.K. as their companies' business will require." Shokhin called on Moscow not to retaliate in kind against the U.K., or the tensions could end up in a "political ping-pong, which may mean a chill in Russia-U.K. relations, if not a return to the Cold War times."

Danish Housing Bubble Blowing Up

July 20 (EIRNS)—The happy times are over in the Danish housing market. Figures released by the Danish Council for Issuing Mortgages July 20 show a dramatic fall in the sales of apartments, especially the Copenhagen area—which has long been the center of the Danish housing bubble—and an accompanying drop in the sales prices.

In the second quarter, the sales of apartments in Copenhagen dropped by 29.1% compared to one year ago, in the Copenhagen suburbs 43.9%, and in Northern Zealand 43.8%. At the same time, the sales prices for apartments in

Copenhagen dropped by 12.3%. For all of Denmark the total number of real estate deals dropped by 27.3% and sales of apartments by 26.5%.

German Industry Calls for Transport Infrastructure Projects

HAMBURG, July 18 (EIRNS)—In a joint statement issued by all 14 chambers of industry and commerce in northern Germany yesterday, the neglect of the importance of almost a million industrial jobs in that region by the politicians was criticized. Presenting the statement, which focuses on delayed highway, railway, port, and canal projects, Hans Peter Kolzen of the State Chamber of Industry and Commerce said: "All too often, politicians nourish visions of a post-industrial service sector society.... In reality, the industry in northern Germany is one of the pillars of Germany's role as a base of production and exports. As before, industry is the engine of the economy. A large share of services has been outsourced from the industry, actually, and firms depend on industrial contracts. The industry is the backbone of the economy."

Iran Asks Japan To Pay in Yen for Its Oil

July 18 (EIRNS)—Iran nixed the U.S. dollar and the carry traders on July 13 when it asked Japan to pay in yen for the oil it imports. Iran has sent a letter to Japanese refiners, signed by Ali A. Arshi, the general manager of crude marketing and exports for Iran's National Iranian Oil Company, according to a report by *Bloomberg* on July 18.

The announcement is not considered fatal for the dollar, because Japan only imports \$10 billion worth of oil from Iran. On the other hand, the news drove down the dollar against the yen to 120 from 122.40, but it later recovered somewhat, remaining above 121. But observers point out that whether the action is symbolic or not, three big oil-producing nations—Iran, Venezuela, and Russia—have been moving much of their foreign currency reserves from dollars to euros in recent months. The latest move by Iran can only add to the long-term pressure on the dollar, already hit by worries about the U.S. economy based on the crisis in the subprime mortgage market.

Also, the responses to Iran's request indicate that many nations are concerned about the imported inflation that the weakness of the dollar has brought to their own countries. Subsequently, Kuwait announced that it was going to allow the dinar to appreciate by 0.4% in order to lower inflationary pressures.

United States News Digest

Democrats Waste Their Time Instead of Impeaching Cheney

July 20 (EIRNS)—"If the Senate Democrats are not going to impeach Cheney, they are wasting their time," Lyndon LaRouche commented on July 17, on the U.S. Senate's upcoming debate on the fiscal 2008 defense authorization bill. Within hours of LaRouche's remark, the Senate opened debate on the Democrats' attempt to break a GOP filibuster on an amendment, sponsored by Sens. Carl Levin (D-Mich.) and Jack Reed (D-R.I.), that would require the Bush Administration to begin withdrawing U.S. forces from Iraq within 120 days of enactment. The all-night session failed however: The 52-47 cloture vote, the next day, fell well short of the 60 votes needed to close debate on the amendment, and Majority Leader Harry Reid (D-Nev.) pulled the bill from the floor.

"All that keeps the U.S. war in Iraq going, is the lack of political courage needed among political leaders to stop the process of sending our troops to more needless, and utterly useless dying," LaRouche noted on the eve of the debate. The roadblock is, of course, Vice President Dick Cheney, who has been riding herd on Senate Republicans to ensure that they support the White House position.

Reid's failure is even more stark when considered against the growing sentiment among Republicans that the Bush Administration policy on Iraq must be changed. At least seven Senate Republicans have called for a change in course, and four voted for cloture on the Levin-Reed amendment. That group includes Richard Lugar (R-Ind.) and John Warner (R-Va.), ranking members of the Senate Foreign Relations and Armed Services committees, respectively. Lugar and Warner, two of the most respected figures in the Senate on national security issues, introduced an amendment on July 13, that would require the Defense Department to begin planning activities in advance of a change in mission in Iraq. Sen. George Voinovich (R-Ohio), according to a July 19 story in the London *Daily Telegraph*, warned White House advisor Karl Rove that President Bush must change course on Iraq, or face a mutiny. Voinovich also said that there are other Republicans who are close to speaking out against the President's current strategy. "I have every reason to believe that the fur is going to fly, perhaps sooner than what they wanted," he said.

More Dirty Doings of Dick Cheney

July 18 (EIRNS)—The longer Dick Cheney remains in the White House, the more grounds for impeachment emerge.

* After six years of stalling and subterfuge by Cheney, a former White House official (apparently disgruntled), gave the *Washington Post* access to the list of lobbyists who "advised" Cheney, during the closed-door meetings of his energy task force six years ago. While the list contains no surprises (oil and gas multis, Enron, power pirates, etc.), Rep. Henry Waxman (D-Calif.) noted that the energy task force was an early indicator of "how secretly Vice President Cheney wanted to act." In fact, Congress' challenge for the documents went to the Supreme Court, which backed up Cheney's "I am the law" argument.

* Separately, a two-month investigation by journalist Jason Leopold, published July 19 by truthout.org, adds even more damning evidence to Dick Cheney's role in the 2000-2001 energy crisis that led to rolling blackouts in California; nearly bankrupted that state, costing it over \$30 billion; and did bankrupt Pacific Gas & Electric, the state's largest utility company. As *EIR* documented at the time, the "crisis" was entirely manufactured by Cheney-allied energy pirates, who shut down power plants for no other reason, than to drive up the price of electric power, stealing billions from California citizens and businesses.

* The *Washington Post* reports July 18 that Waxman has documents showing that the White House arranged for Office of National Drug Control Policy officials, using taxpayer funds, to make appearances and announce new Federal grants in districts of GOP lawmakers who were up for election in 2006. A memo from former White House political director Sara Taylor is cited, revealing that John P. Walters, the director of the office, and his deputies, traveled to about 20 campaign events in the three months leading up to the election, and that Karl Rove was involved. A 1994 law prohibits the Drug Policy office from involving itself in any political activity, even on staff members' own time. Waxman has asked Taylor for a voluntary deposition on July 24.

London Threatens Dems on Taxing Hedge Funds

July 18 (EIRNS)—The London *Times* today tried to stampede the Democratic Presidential pre-candidates into abandoning their support for tax increases on hedge funds and private equity firms—by lying that, in the first half of 2007, "the staff of the biggest buyout firms, who traditionally have donated far more to the Democrats, funnelled 53% of their contributions ... to Republican candidates."

The *Times'* Tom Bawden was handed the difficult job of finding any data to substantiate that claim. In the first place, the 53% of the less-than-\$500,000 sum for the first half of 2007 that Bawden says is now going to Republicans, is a tiny fraction of the millions contributed so far as bundled contributions by the 1,330 private equity firms that private equity websites estimate exist, or the 37,000+ private funds operated by the portion of hedge funds cited by the same websites.

Bawden's \$493,000 total for the first half of 2007 is based on the contributions of a mere 11 private equity firms, which formed a so-called "Private Equity Council" only a few months ago! This is the same Private Equity Council leading the campaign against making fund managers pay their taxes.

Secondly, the private equity industry, which is estimated to control some \$700 billion, only began to contribute to candidates when the Congress began to discuss forcing these firms, and the almost indistinguishable hedge funds who work with them, to register and pay taxes like everybody else, during the 2005-2006 Congressional campaign cycle.

In the past week, the three front-running Democratic candidates—Hillary Clinton, Barack Obama, and John Edwards—have all endorsed the Baucus-Grassley bill to tax the profits of hedge fund principals at the same 35% rate that others similarly situated pay.

Most of the hedge funds and private equity firms are based on British territory, such as the Cayman Islands. So, it fell to the *Times* today to string together some data to scare the Democrats away from bringing the "financial locusts" under control.

GOP Demands Censure of Ellison for 'Reichstag Fire' Remark

July 18 (EIRNS)—Republican Congressmen Zach Wamp (Tenn.) and Eric Cantor (Va.) issued a letter today to House Speaker Nancy Pelosi demanding that she "swiftly and immediately reprimand Congressman Keith Ellison" for "drawing a comparison between President Bush and Adolf Hitler." Their letter demands the reprimand based on this supposed "flagrant and irresponsible comparison."

In fact, as reported July 9 by EIRNS, based on an article in the Minneapolis *Star Tribune* and a video of the speaking event, Ellison (D-Minn.) is the first member of Congress to have the courage to compare the 9/11 attacks to the Reichstag fire in Berlin in 1933. His actual comments were: The Sept. 11 event "kind of reminds me" of the 1933 Reichstag fire. The fire "put the leader of that country in a position where he could basically have the authority to do whatever he wanted."

Cantor and Wamp state, "Even if Rep. Ellison now asserts that he was not implying that 9/11 was orchestrated by the administration, the comparison between Hitler and the president of the U.S. is disgraceful."

Cantor, a neo-conservative in the leadership of the Republican Party and Republican Study Group, is known both for his recent efforts in defense of hedge funds and private equity funds, and for organizing a coalition to counter the attempts being made in the House and Senate to close the tax loopholes for equity fund executives. He was also the leading defender of Tom DeLay, directly attacking the LaRouche Youth Movement in their successful efforts to defeat the Texas Congressman.

Utah Dems Capitulate to Rohatyn/Pelosi on Impeachment

July 16 (EIRNS)—The leadership at the Utah Democratic convention failed even to introduce the Progressive Caucus's Cheney impeachment resolution on July 14, despite overwhelming support for such a measure from the convention attendees. LaRouche PAC supporters on the scene, who were the principal drivers of the resolution, reported that they found near-unanimous support for it in both the labor and black caucuses. The resolution was passed unanimously earlier by the Progressive Caucus.

When Wayne Holland, the chairman of the Utah State Democratic Party, was confronted by a LaRouche PAC activist after the convention closed, he asked, what kind of President would we get if Cheney were impeached? He said he did not want

to take this chance, and thought that this would cause a defeat for the Democrats. He also mentioned a poll that said 75% of Democrats say that we should "let the past go, and look forward to the future." When told that there may not be time for impeachment, and that Cheney should be forced to resign, Holland replied that the Utah Dems don't want Cheney to resign, because "we want to beat him in the next election."

Ibero-American News Digest

OAS Chief Rejects Bush/Cheney 'Get Venezuela' Drive

July 17 (EIRNS)—A strategy of isolating the Venezuelan regime is "absurd," juridically "unviable," and politically "inappropriate," Organization of American States (OAS) secretary general José Miguél Insulza declared, in an interview with the Argentine daily *Clarín*, published July 15. Democracy is in force in Venezuela, he stated, adding, "there is no reason that in 2007 it should be a kind of sin to meet with the Cubans."

So much for the Bush-Cheney Administration's drive to force Venezuela's neighbors to line up behind its campaign for regime change in Venezuela (and then in Cuba). No government has been willing to take up that campaign, and now Insulza, an experienced Chilean diplomat, whom no one in their right mind could accuse of being part of some alleged Venezuelan-Cuban "axis," has made clear that there will be no regional mechanisms for pressure, sanctions, etc., either.

U.S. Secretary of State Condoleezza Rice had gone to the OAS General Assembly in June, demanding regional action against the Chávez regime for violating democracy after it refused to renew the license of Venezuela's largest private television station, RCTV. Rice treated an internal Venezuelan matter as if it were the number one crisis faced by the nations of the Western Hemisphere, and insisted that conditions had been met to activate provisions of the Inter-American Democratic Charter mandating regional intervention.

The OAS refused. The Inter-American Democratic Charter "cannot be used as an instrument to monitor democracy in the hemisphere," Insulza stated from Brazil on July 12. The countries of the region have imposed limits to "drastically reduce the possibility of direct intervention into the affairs of others."

Paulson Joins Banco Santander To Wreck Bank of the South

July 20 (EIRNS)—U.S. Treasury Secretary Henry Paulson has joined forces with the oligarchic Banco Santander to ensure that the Bank of the South—the new regional financing entity soon to be founded by several South American governments—never opens its doors. Conceived as an alternative to the International Monetary Fund and the World Bank, and designed specifically to provide low-cost credit for infrastructure development, the Bank of the South was to have been founded originally in late June. But through its machinations inside Brazil, and playing on the profile of President Lula da Silva, the British monarchy-controlled Banco Santander succeeded in postponing the founding to a now-unspecified date.

Then, on July 12, Paulson showed up in Montevideo, Uruguay to present what Sen. Eduardo Loreira attacked as "a shadow of the Bank of the South," intended to wreck the support for the project from among member nations of the Common Market of the South (Mercosur). Working with Uruguay's pro-IMF Finance Minister Danilo Astori, who opposes the Bank project, Paulson brought in like-minded finance ministers of Chile, Peru, and Mexico—the latter being former top IMF official Agustín Carstens—to peddle the supposed benefits of sticking with the bankrupt IMF and World Bank. Ministers of Venezuela, Ecuador, and Bolivia were notably excluded.

Paulson conferred on Uruguay, whose President Tabaré Vázquez had recently announced he would join the Bank of the South, the dubious status of "strategic partner" of the United States, while offering some paltry sums of money, supposedly

to demonstrate the Bush Administration's support for "infrastructure development"—privately funded of course. But not everyone bought the Paulson package. His visit unleashed a factional brawl inside the Vázquez government, as saner forces, including pro-continental-integration Foreign Minister Reinaldo Gargano, realized he was up to no good.

Cristina Kirchner Announces for President of Argentina

July 20 (EIRNS)—Causing heartburn in London and New York, Argentine First Lady and Sen. Cristina Fernández de Kirchner officially launched her campaign for the Oct. 28 Presidential elections, with a vow to continue the "industrialist" economic model her husband has defined. The announcement was made July 19, before a 2,000-person audience in La Plata, including her husband, President Néstor Kirchner, his cabinet, national governors, and mayors.

Speaking as the candidate of the Victory Front, Fernández stated that the lives of Argentines "are made or broken" by the economy, and counterposed the current model of social inclusion, strong growth of reserves, and "industrialist profile" to the neoliberal model of the 1990s, "in which millions were forced out of the productive system."

It is possible, Fernández said, to have an economy based on robust agricultural production as well as reindustrialization, and this is the model that will be deepened. Argentina has a "rich history" to draw on, such that the business class, the labor movement, and the state can cooperate in setting medium and long-term development goals. But, she warned, the country needs "intelligent businessmen," because there are some "who only know how to count and defend bubble economies that are unsustainable over time."

The Argentine First Lady also underscored that during the last four years, President Kirchner has succeeded in "reconstituting the decision-making power of the democratic state," and the authority of the President, as opposed to previous Presidents who "couldn't or didn't want to represent the interests of the whole, ... and due either to defection or corruption, voted the way the International Monetary Fund asked them to." As the next Argentine President, she said, "we shall continue in the same direction, avoiding those violent shifts of past decades that left us on the brink of social extinction."

Argentine Minister Resigns, as Vulture Funds Intensify Pressure on Kirchner

July 16 (EIRNS)—Argentine Finance Minister Felisa Miceli announced her resignation on July 16, following several weeks of accusations and growing pressures stemming from the early June discovery in her office of a large sum of money. In a confusing episode, security personnel conducting a routine anti-terrorism sweep in Miceli's office on June 5, found 100,000 pesos and \$31,670 in her private bathroom, the origin of which remains unclear.

Miceli's replacement is current Industry and Commerce Secretary Miguél Peirano, who maintains close ties to the Argentine Industrial Union (UIA), and is expected to continue President Kirchner's emphasis on rebuilding the country's industrial sector and expanding the internal market.

Although there are still many unanswered questions, what is at issue in the Miceli case is not "corruption," as the political opposition claims. Rather, foreign vulture funds and London-centered financiers are intensifying their pressures on the Kirchner government; they have also targeted Ecuadorian President Rafael Correa. Both leaders have staunchly defended their nations' economic and political sovereignty. Given the fragility of the world economy, the financial scavengers fear any leader who dares to say "no" to globalization.

Right on cue, the day after Miceli's resignation, the American Task Force Argentina (ATFA), a front for predatory vulture funds and speculators, posted a video message on its www.atfa.org website, again attacking Correa for intending to

"aggressively renegotiate what he calls his country's illegitimate international debt," and threatening him with dire consequences should he dare to follow the "Argentine precedent." This video message from ATFA co-chairman Robert Shapiro, a former U.S. Commerce Department Under-Secretary, followed a full-page ad, that ATFA had placed in the July 11 edition of Capitol Hill's *Roll Call*, threatening Ecuador for emulating "Argentine-style economics."

Aggressively countering this offensive, on the same day, the Argentine chapter of the LaRouche Youth Movement saturated the Congress with its leaflet denouncing ATFA's assault on Argentina and Ecuador. The LYM leaflet prominently features Lyndon LaRouche's statement that the vulture funds' attempts to crush Argentina during its 2003 financial crisis, reflected "the face of fascism, ... the mentality of the same kind of fascists who sacrificed the human race, including those who died eventually at Auschwitz."

Western European News Digest

German Chancellors, Past and Present, on Putin's Proposals

July 19 (EIRNS)—The current and former Chancellors of Germany supported, in separate statements, on July 19, a serious consideration of Russian President Vladimir Putin's proposal for a missile shield in Europe. In an interview with a Russian TV channel, former Chancellor Gerhard Schröder said that he does not approve of U.S. plans to deploy its missile shield in Poland and the Czech Republic. Schröder said that these plans will cancel all agreements reached after the collapse of the Iron Curtain. He thinks that Russia's President has made a reasonable proposal to share a radar base in Azerbaijan with the U.S. and Europe. Schröder said that Washington's reaction to Russian initiative will disclose its true intentions.

Schröder's successor, Chancellor Angela Merkel, was more diplomatic, and avoided criticizing the U.S. government. Answering a question at the traditional Summer press conference, Merkel said that the question of missile defense "must be once more discussed within NATO. I've always said: the NATO-Russia Council is the forum of discussion." "Russia has made interesting proposals," Merkel said, "And I believe that through that, there is now a whole packet of discussion possibilities on how we arrange that."

U.K.-U.S. 'Special Relationship' Strained

July 14 (EIRNS)—The Chinese news service Xinhua reported today on articles in the conservative British newspaper the *Daily Telegraph*, that the "special relationship" with the U.S. is under strain.

The public controversy was kicked off by a recent speech in Washington, at the Council on Foreign Relations, by Britain's International Development Secretary Douglas Alexander, who, the *Telegraph* reported the day before, called on the United States to build alliances that reach out to the world, rather than simply shield it from terrorism.

The *Telegraph* interpreted these remarks as a "carefully crafted criticism," and the London *Times* called them "a series of coded criticisms" of American foreign policy. Later the same day, Prime Minister Gordon Brown denied any weakening of the special relationship, and announced he would be going to Washington in the next few weeks to meet with Bush.

Despite these denials, the new Foreign Office Minister for Africa, Asia, and the UN, Lord Mark Malloch Brown, said in a *Telegraph* interview July 12, that Britain should broaden its international relationships rather than rely solely on its special relationship with America, and that Prime Minister Brown will not be joined at the hip with President Bush, as was Tony Blair. Lord Brown anticipates that Britain's approach to foreign policy is about to change radically, but that will not necessarily create conflict with the United States, where policy is changing as well.

Italians Support French Challenge to Maastricht

July 18 (EIRNS)—Two former Italian economics ministers have supported the French government's right to override restrictions on national spending, imposed by the European Union Treaty, signed at Maastricht, The Netherlands, in 1992, and its subsequent amendments.

Giulio Tremonti, former finance minister in the Berlusconi government, and Paolo Savona, former industry minister in the first Prodi government, independently supported the French government's right to override the European Currency Board and European Union Commission on matters of currency and budget.

The two interventions do not address the austerity measures promoted by the French government of President Nicolas Sarkozy, but limit themselves to asserting national sovereignty. In this limited sense, they are correct and are an expression of the unavoidable crisis affecting the supranational European Union bankers' government.

U.S. Chief Justice To Meet With Sarkozy

PARIS, July 15 (EIRNS)—French President Nicolas Sarkozy will be meeting with U.S. Supreme Court Chief Justice John G. Roberts this week. As *EIR* stated in January 2006, Roberts is one of the leaders of a "cabal of outright 'Schmittlerian' Nazis," together with Justices Antonin Scalia, Clarence Thomas, and Samuel Alito, "all members of the self-avowed 'Conservative Revolutionary' Federalist Society." The Federalist Society is directly inspired by Nazi Crown Jurist Carl Schmitt, and is promoting his "unitary executive" theory, which led to Hitler's dictatorship. The Federalist Society directly influences the jurists around Cheney.

Sarkozy campaigned for a strong Presidency during the recent elections, and since his inauguration on May 16, he has centralized power around the President's office, away from the Prime Minister and the other ministries. One of his first reforms was to create a centralized agency for Homeland Security, supervised by his chief of staff and headed by a Sarkozy-allied executive of the General Intelligence, France's political police. This concept is derived from Napoleon's reign as Emperor. This new Homeland Security agency is set up to target the phenomenon of gangs in the poorer, working-class suburbs, so-called "subversives," and terrorists.

Roberts will also meet with French Constitutional Council president Jean Louis Debré.

Diplomat Warns of Drug Criminals in Kosovo Government

PARIS, July 18 (EIRNS)—Kosovo is "a microcosm of delinquents," and the British and Americans are doing nothing about it, warned Rodolphe Richard, the French delegate to the United Nations, based in Pristina, Kosovo.

There are deep connections "between criminal and political sectors," including the drug trade, Richard, who has been alerting Paris for two months against the moves for Kosovo independence, told the French weekly *Le Canard Enchaîné*. Kosovo's justice system "refuses to deal with any case involving personalities [involved] in drug matters" and "money laundering," Richard said. Richard also referred to the "worrisome role" of the British and the Americans, noting that when the chief of Kosovo's secret services or the local drug kingpin is arrested, he is rapidly released.

Arguing against independence, the diplomat says that "very soon Kosovo will only be governable by the criminals that are controlling the totality of political, economic, and social matters."

The issue of Kosovo independence has been among the leading provocations wielded by the Cheney gang and the British,

against Russia.

Subprime Mortgage Blowout Also Hitting Europe

July 18 (EIRNS)—The U.S. subprime mortgage crash is now hitting European insurance companies, although the reported exposure is relatively small. Two Dutch-based insurers, Aegon and ING, each hold some \$4 billion in U.S. subprime mortgage assets, and the U.K. insurer Prudential, about \$200 million worth of market exposure, *The Times* reported today. France's Axa also faces losses, but the amount is not specified. This report came out just after the Bear Stearns admission that its hedge funds are worth nothing, based on estimates from the stockbroker firm Sanford Bernstein. While projecting "limited" losses in subprime loans, a Bernstein analyst said, "It is possible that there will be some hits to the insurers from subprime losses, while a more general credit deterioration, be it in prime mortgages or corporate credit, would clearly affect their profitability."

Russia and the CIS News Digest

Primakov Calls for U.S.-Russia Cooperation on Eurasia

July 16 (EIRNS)—Former Russian Prime Minister Yevgeni Primakov has published an incisive appeal to the United States to formulate strategic policies in the U.S.A.'s own best interests, including cooperation with Russia, as well as China and India, aimed at resolving conflicts in Iraq, Afghanistan, Pakistan, and Iran. His article appeared in *Moscow News* on July 12, the day before the inaugural meeting of the strategic dialogue group "Russia and the U.S.A.: Looking at the Future," which Primakov co-chairs with Henry Kissinger. As *EIR* reported on July 20, the Kissinger-Primakov group emerged at the end of April, as part of the process that led to President Vladimir Putin's July 1-2 talks with President George Bush at the family vacation house in Kennebunkport, Maine.

Primakov urged the U.S.A. to reconsider its international priorities. Currently, he said, the chief issues dividing the U.S.A. and Russia are the U.S. plan to deploy an ABM system in Eastern Europe, and Washington's backing for *de jure* independence for Kosovo from Serbia. "It is indicative that none of these problems is vital for the United States," wrote Primakov, adding that for Russia they are. Yet, conflict over these issues has intensified, "at a time when, it would seem, Washington has an objective interest in close cooperation with Moscow to resolve an array of conflicts, which are far more important for the United States and the international community as a whole." These are Iraq, Afghanistan, Iran, and Palestinian-Israeli relations.

Primakov highlighted every glimmer of a U.S. policy-turn away from global showdown, such as last year's Baker-Hamilton Iraq Study Group recommendations on Iraq. Famous as a specialist on Southwest Asia, he described how the Bush Administration's "surge" policy has come to grief in Iraq. He cited Iraqi President Jalal Talabani, and also the Iraq Study Group report, prepared in the United States itself at the end of last year, for having called to include Iran and Syria in attempts to resolve the Iraq crisis. "Iran and Syria are showing interest in contacts with the United States," Primakov said. "Russia, which has close ties with Syria and Iran, could be not entirely useless in overcoming the Iraqi crisis."

The publication of Primakov's view of such possible Russian-American cooperation on ending the war in Iraq, made a sharp contrast to the heavy coverage throughout the Russian media on July 16, of a London *Guardian* report of renewed pressure from Vice President Dick Cheney on Bush, to attack Iran.

Primakov brought in the possibility of U.S. cooperation with all three members of the Eurasian Strategic Triangle (as he once named the combination of Russia, China, and India), concerning the "increasingly destabilizing situation" in nuclear-armed Pakistan. Washington's preoccupation with installing ABM systems in Europe, Primakov warned, could cause it to

"miss the boat" in Pakistan. The prospect of internal conflict there, "eclipses the concern that Iran could, within a few years, acquire nuclear weapons in 'embryonic' form." Indeed, he added, recent "overtures toward cooperation" on the part of Iran can be attributed to "a change in the U.S. position: At first, the United States threatened to use force against Iran, but then it made a U-turn and went along with Russia, which believes that the problem may only be resolved by political means. Is it not time for the U.S.A. to start consultations with Russia, India, and China on Pakistan?"

Russia Suspends CFE Treaty

July 14 (EIRNS)—Russian President Vladimir Putin has decreed the suspension of the Conventional Forces in Europe (CFE) Treaty and related international agreements in Russia, until NATO ratifies an adaptation agreement, according to RIA Novosti. The 1990 treaty has regulated the deployment of troops and weapons on the European continent since end of the Cold War. As was the case in earlier Russian warnings to freeze implementation of the CFE, Putin invoked the "exceptional circumstances," resulting from the fact that NATO's new members have refused to ratify an agreement on adapting the CFE Treaty to the situation after the dissolution of the Warsaw Pact and the Soviet Union.

The Presidential decree also says that U.S. plans to deploy conventional arms in Bulgaria and Romania have "a negative impact" on compliance with CFE arms limits.

Russia Responds to British Expulsion of Diplomats

July 17 (EIRNS)—"It looks as though [Russia] is being punished for preserving our own Constitution," Russian Deputy Foreign Minister Alexander Grushko said in Moscow, in reaction to the British decision to expel four Russian diplomats, the *Guardian* reported. "It is obvious that the line London is pursuing will complicate or make impossible cooperation between law enforcement bodies in issues relating to the safety of millions of British and Russian citizens," Grushko was quoted by Novosti. Britain announced that it would not maintain contact with the Russian Federal Security Service, but is ready to cooperate on counter-terrorism, but these are "mutually exclusive statements taking into account the central role the Federal Security Service takes in fighting terrorism both internationally and domestically," Grushko said. "It is obvious that the policy which is being pursued by Britain is going to complicate the terrorist, the security issues, which are vitally relevant and important for Britain and Russia and the wider world."

Grushko raised the possibility of mass expulsions of British diplomats, in view of London's refusal to extradite persons wanted for terrorism and economic crimes in Russia. [\(See also: **"Something Is Rotten in the U.K.": Great Britain Escalates Crisis With Russia,** by Helga Zepp-LaRouche.\)](#)

Japan and Russia 'Team Up' for Trans-Siberian Rail Line

July 13 (EIRNS)—The Japanese government is teaming up with Russia on projects to develop the Trans-Siberian Rail Line for mass cargo transit between East Asia and Europe, Japanese Embassy Counsel Takeshi Hihihara told a cooperation conference in Nizhni Novgorod on July 11, according to a Voice of Russia report. Japan plans to propose use of the famous Japanese "Shinkansen" bullet-train technology for the Trans-Siberian, as well as other rail routes in Russia, Japan's *Yomiuri Shimbun* reported on July 1. High-speed transport could cut in half the current transport time on the Trans-Siberian, which is over two weeks.

Japan is interested not only in renewing the rail lines, but also in developing new industry along the Trans-Siberian Railway. Tokyo is setting up a working group of officials and business leaders from both nations, and will develop concrete proposals by this Autumn. Japan wants to secure energy resources from the Russian side, *Yomiuri* reported.

State-owned Russian Railways head Vladimir Yakunin announced plans to build high-speed rail links in western Russia already in February, including Moscow-St. Petersburg and Moscow-Nizhny Novgorod and Moscow-Sochi. At the end of February, Russian Prime Minister Mikhail Fradkov went to Japan, where he initiated discussions on joint work on energy and rail development. In late April, Yakunin met with Japanese business leaders to discuss plans for the high-speed rail system, and said Russia would send experts to Japan, because it wants to look at the most modern technology available. Russia will have to lay new tracks if the Shinkansen is to be used. Now, Japanese sources are reporting that Russia wants to complete its rail modernization by 2030.

Russia Can Have Commercial Fusion Power in 20-25 Years

July 13 (EIRNS)—Russia could be able to begin commercial production of thermonuclear reactors, both for its own economy and for export, in the next 20-25 years, nuclear physicist Yevgeni Velikhov said in Tokyo. The International Thermonuclear Experimental Reactor (ITER) project held its second conference there, beginning July 11.

"Russia's final goal is clear. We should at least get the necessary knowledge to design and build thermonuclear plants for Russia's domestic purposes and for export," Velikhov was quoted by Zee news. It is high time "to prepare Russia's science and industry to the next stage of commercial production. Our goal does not depend 100% on ITER. We should work ourselves as well. We have to prepare the new generation for this, as the stage of commercial production will begin in 20-25 years as a minimum," he said. Velikhov "was at the origins of the ITER concept," Itar-Tass reported.

On July 11, Russian Deputy Chief of the Governmental Staff Igor Borovkov said that Russia would actively contribute to the ITER project, to build a fusion reactor in France, and also on technology for Russia. "Apart from the contribution to the ITER project, funds will be issued for the modernization of Tokamak devices at the Kurchatov Institute for solving important scientific, engineering, and technical questions in this area," Borovkov said.

The ITER member-states are the EU, India, China, Russia, the United States, South Korea, and Japan.

Kazakstan To Strengthen Nuclear Power Development

July 11 (EIRNS)—Kazakstan's state-owned uranium firm, Kazatomprom, will buy a 10% stake in U.S. nuclear reactor design-construction firm Westinghouse, from its Japan-based majority owner, Toshiba. By forging ties with uranium-rich Kazakstan, Toshiba, which holds a 77% stake in Westinghouse, aims to secure stable supplies of uranium, Japan's Jiji press reported. Japan and Kazakstan have agreed to cooperate in uranium-processing technology and trade.

By ensuring access to a much larger uranium source, Toshiba is now gearing up to win more orders to build nuclear power plants in the U.S.A. and elsewhere, by having Kazatomprom in its alliance and securing a long-term supply of uranium, the financial daily *Nikkei* added. Kazakstan seeks access to much larger capital for opening up new uranium mines. Toshiba president Atsutoshi Nishida visited Kazakstan in April with Japanese Minister of Economy, Trade, and Industry Akira Amari.

Southwest Asia News Digest

Saudis Identified as Patrons of 'al-Qaeda II'

July 15 (EIRNS)—A senior U.S. military official in Baghdad has charged that Saudi Arabians make up half of the foreign fighters inside Iraq, and that, under the "worst case" interpretation, the Saudi government is fueling an insurgency that is killing American soldiers and Iraqi civilians.

The *Los Angeles Times* prominently reported today that "45 percent of all foreign militants targeting U.S. troops and Iraqi civilians and security forces are from Saudi Arabia; 15 percent are from Syria and Lebanon; and 10 percent are from North Africa." The U.S. military official also told reporters, "Fighters from Saudi Arabia are thought to have carried out more suicide bombings than those of any other nationality," and that "50 percent of all Saudi fighters in Iraq come here as suicide bombers," adding that over the past six months, at least 4,000 Iraqis have been killed or injured in suicide bombing attacks.

As *Times* Baghdad reporter Ned Parker noted, "The situation has left the U.S. military in the awkward position of battling an enemy whose top source of foreign fighters is a key ally that at best has not been able to prevent its citizens from undertaking bloody attacks in Iraq, and at worst shares complicity in sending extremists to commit attacks against U.S. forces, Iraqi civilians and the Shiite-led government in Baghdad."

Indeed, Washington intelligence community sources have reported to *EIR* that the Saudi government—particularly national security advisor Prince Bandar bin-Sultan—has been directly involved in sponsoring "al-Qaeda II," a Wahabi fundamentalist apparatus drawn from Sunni tribes inside Iraq. "al-Qaeda II," according to the sources, has no relation with the bin Laden organization, but is now better armed, better financed, and poses more of a threat to both American forces and the Iraq regime.

State Department Announces New Talks with Iran

July 17 (EIRNS)—In the midst of a raging brawl within the Bush Administration over Dick Cheney's demand that the U.S. carry out military strikes against Iran, State Department spokesman Sean McCormack told reporters this morning that the United States is ready to hold new direct talks with Iran on the deteriorating security situation in Iraq. "We think that given the situation in Iraq and given Iran's continued behavior that is leading to further instability in Iraq, that it would be appropriate to have another face-to-face meeting," McCormack said. According to Associated Press, he said no date for the Baghdad talks had yet been arranged.

The first set of talks with Iran held by U.S. Ambassador to Iraq Ryan Crocker on May 28, 2007, broke a 27-year boycott by the United States following the ouster of the Shah of Iran by the Islamic Revolution. While it was planned at these talks to "meet again" in about one month, the anti-Iran lobby in the United States succeeded in raising tensions again. Sen. Joe Lieberman (I-Conn.), an appendage of the Cheney war policy, succeed this week in passing an amendment in the U.S. Senate to "censure" Iran for its role in endangering U.S. troops, an allegation made by Gen. Kevin Bergner, deployed by Cheney to Iraq as part of an disinformation team to falsify intelligence reports from Iraq.

The fact that new talks were announced by the State Department in the midst of Cheney plans for a attack on Iran as early as August, the Lieberman amendment, and the Bergner disinformation, indicates the level of faction fighting in the Bush Administration.

U.K. Paper: Cheney Has Upper Hand for Iran War

July 16 (EIRNS)—Vice President Dick Cheney reportedly has reasserted the military option against Iran, according to an account in today's London *Guardian* from a "well-placed source in Washington."

At a June meeting on Iran policy involving the White House, the Pentagon, and the State Department, Cheney gained the upper hand. He was opposed by Secretary of State Condoleezza Rice, along with Under Secretary of State Nicholas Burns and Defense Secretary Robert Gates. "The balance has tilted. There is cause for concern," the *Guardian's* source said.

Burns had told the meeting that diplomatic maneuvering would continue until January 2009, which displeased Cheney and Bush.

"Bush is not going to leave office with Iran still in limbo," the source said.

The *Guardian* reports that almost half of the 277 U.S. warships are stationed close to Iran, including two carrier groups. But the paper quotes a Pentagon spokesman as saying that, when the *USS Enterprise* arrives there, the *USS Nimitz* will leave, and that there will be no overlap which would leave three carriers in the Gulf at the same time.

In fact, the July 13 *India Defense Review* reported that both the *Nimitz* and the *USS Kitty Hawk* will be participating in five-nation military maneuvers in the Bay of Bengal in September, which means that four U.S. aircraft carriers will be in or near the Persian Gulf by that time, at the latest.

An informed Washington source confirmed the broad substance of the *Guardian's* account, along with the above report about the four U.S. carrier groups.

Colin Powell: Talk to Hamas

July 20 (EIRNS)—Former Secretary of State Colin Powell declared that the only way to move the peace process between Israel and the Palestinians was to engage Hamas. This was in sharp contrast to U.S. Secretary of State Condoleezza Rice and Her Majesty's former Prime Minister Tony Blair, who, speaking at a meeting of the Quartet of Middle East mediators in Lisbon, declared their refusal to deal with Hamas. Rice demanded that Hamas recognize the right for Israel to exist and renounce violence in order to achieve "international respectability" before she would talk to them.

"I don't think you can just cast them into outer darkness and try to find a solution to the problems of the region without taking into account the standing that Hamas has in the Palestinian community," Powell said in an interview with National Public Radio (NPR). Pointing out that Hamas has considerable support within the Palestinian population and controls the Gaza Strip, he said, "They won an election that we insisted upon having," and having won, they needed to be engaged, "as unpleasant a group as they may be and as distasteful as I find some of their positions."

Pentagon Figures: Training Iraqi Security Forces "an Illusion"

July 20 (EIRNS)—An op-ed by Lt. Gen. William Odom (ret.) (former head of Army Intelligence and of the National Security Agency) and former Assistant Secretary of Defense Lawrence Korb, published in the July 19 *Financial Times*, attacked as an "illusion," the idea that the Iraqi insurgencies can be combatted by training local security forces. They say that the application of this program in Iraq will have the effect opposite of that desired: We simply arming the several sides in a civil war.

"The fundamental problem with the Iraqi security forces is that they lack allegiance to the national government and the will to fight and die for a non-existent Iraqi nation." Further, they say, even were the factions not shooting each other, there's a danger that the Shia-dominated national security forces will turn their weapons on U.S. troops as they begin to withdraw, or will turn their weapons on Sunni neighbors—e.g., Saudi Arabia, in support of Iran.

Odom and Korb cite other situations in recent U.S. history concerning such training programs, such as Vietnam, where the South Vietnamese forces failed "not because they were incompetent, but because the government lost the banner of nationalism to the Viet Cong." They conclude with the demand that the United States set a deadline for troop withdrawal,

and cease supplying weapons and training to all sides, lest we endanger departing U.S. troops and enhance the civil war's violence after we depart.

Syrian President Calls for Direct Talks with Israel

July 17 (EIRNS)—Addressing the People's Assembly after being sworn in for his second term as President, Syria's Bashar al-Assad reiterated Syria's readiness to hold peace talks with Israel, provided those talks are above-board and open. A number of foreign delegations have come to Syria with messages from Israeli officials and others on peace. However, "we do not want secret talks. We ask Israel's leaders to state in a clear and official manner their desire for peace," and their guarantee that they will return all of Syria's land, Assad said.

Did France Have To Threaten Israel To Hold Lebanon Summit?

PARIS, July 18 (EIRNS)—During the first day of the Lebanese all-party summit in Paris on July 14, the Kuwaiti newspaper *Al-Seyassah* reported that the French government had strongly warned Israel against any aggression toward the conference participants, stating that France would consider any such attempt an attack against itself, and that Franco-Israeli relations would be severely affected.

According to the Kuwaiti paper, the warning came after French secret services discovered that the Israeli intelligence agency Mossad was scheming to kidnap members of the Lebanese Shi'ite groups Hezbollah or Amal on their way to the conference. The information came from both Israel and an Arab state, probably Jordan, the paper reported.

As a result, France increased the security detail for the conference to 400, equivalent to what is required for a European summit. An eyewitness at the final press conference of the Lebanese summit, observed strong police intervention when two cars tried to bypass the security perimeter.

Asia News Digest

Bangladesh Military Makes Moves To Take Over

July 16 (EIRNS)—The military-backed interim government in Bangladesh arrested former Prime Minister Sheikh Hasina Wazed in the early hours in the capital, Dhaka, following a raid on her home. The Bangladeshi *Daily Star* reported that a court in the capital rejected her petition for bail, and sent her to prison in connection with an extortion case.

Hours later, the government summoned Sheikh Hasina's bitter rival, former Prime Minister Khaleda Zia, to appear in court next month to answer tax evasion allegations. Sheikh Hasina and Khaleda Zia, dubbed the "battling begums" (a begum is a Muslim woman of rank), ruled alternately from 1991 to 2006 and stand accused of misrule that brought the country to the brink of anarchy earlier this year.

Bangladesh's army-backed interim government has been cracking down on corruption, arresting more than 150 senior politicians, bureaucrats, and businessmen, since taking control in January. The government says elections will be held before the end of 2008.

Washington Considers an Attack on Pakistan

July 20 (EIRNS)—It is no longer a matter of speculation: Washington is putting in place contingency plans to attack

Pakistan's tribal agencies to take out the Islamic extremists, al-Qaeda and the Taliban. Frances Townsend, Homeland Security advisor to President George W. Bush, said on July 18 that the United States would be willing to send troops into Pakistan to root out al-Qaeda, noting that "no option is off the table if that is what is required"—just in case Islamabad, or al-Qaeda, missed the significance of Townsend's statement.

Soon afterward, White House press secretary Tony Snow said, "there's no doubt that more aggressive steps need to be taken" against al-Qaeda sanctuaries inside Pakistan. Al-Qaeda's ability to maintain a safe haven in Pakistan is "something that's absolutely going to have to be addressed," he said, without discussing what the next steps might be. "We never take options off the table, and if we find actionable targets, we're going to hit them," Snow said.

Former Rep. Lee Hamilton, one of the leaders of the Sept. 11 Commission and a White House intelligence advisor, agreed, saying on July 17, that al-Qaeda's threat to the United States has reached the point where U.S. forces should "go after" terrorist sanctuaries in Pakistan.

Indian Navy Continues To Extend its Geostrategic Reach

July 20 (EIRNS)—The Indian Navy, emerging in the Indian Ocean as the key power, has activated its first listening post on foreign soil, which will keep an eye on ship movements in the Indian Ocean. A crucial monitoring station in northern Madagascar (an island nation off the eastern coast of the African continent), complete with radars and surveillance gear to intercept maritime communication, was quietly made operational earlier this month as part of the Indian navy's strategy to protect the country's sea lanes of commerce.

The monitoring station, under construction since last year when India took on a lease from the Madagascar government, will link up with similar naval facilities in Kochi and Mumbai, on India's west coast, to gather intelligence on foreign navies operating in the region. "A naval asset with limited anchoring facilities has been activated. It will facilitate possible maneuvers by the navy in the region," an Indian official said.

The Indian Ocean is gaining importance due to increasing oil traffic around the Cape of Good Hope and the Mozambique Channel route preferred by supertankers. The United States already has a permanent military base with aerial assets and monitoring facilities in Diego Garcia, 1,400 nautical miles northeast of the Madagascar facility.

With berthing rights in Oman, and monitoring stations in Madagascar, Mauritius, Kochi, and Mumbai, the Indian Navy will effectively box in the region to protect sea lanes all the way from Mozambique and the Cape of Good Hope to the Gulf of Oman, an official said.

In September, the Indian Navy, along with the U.S., Japanese, Australian, and Singapore navies, will carry out exercises in the Bay of Bengal—an entry point to the Indian Ocean. (See InDepth, "The Geostrategic Import of the Coming Bay of Bengal Naval Exercise.")

ElBaradei and LaRouche Ally Inspire Optimism in Malaysia

KUALA LUMPUR, July 18 (EIRNS)—The head of the International Atomic Energy Agency (IAEA) and Nobel Peace Prize laureate, Dr. Mohammad ElBaradei, gave a passionate defense of the world's poor in a lecture—"Nuclear Power: Looking to the Future"—organized by the Academy of Sciences of Malaysia. He stressed that the development and electricity needs of the world's poor cannot be met without nuclear energy, initially from the plentiful supplies of uranium, needed for fission power, and then, from nuclear fusion when it comes onstream later in the century.

During the question-and-answer session following the speech, a supporter of Lyndon LaRouche thanked the speaker for bringing alive the optimism of the 1950s-'60s "Atoms for Peace" program. However, the questioner pointed out that its noble aims to eliminate world poverty and green the deserts with abundant desalinated water—concepts which had inspired the world's youth—did not happen, and that the nuclear scientists and engineers who responded to the call are now fast approaching retirement. To make up for lost ground, according to American nuclear engineer James Muckerheide, would require 6,000 nuclear power plants by 2050. Would the United Nations, through the worldwide credibility that Dr. ElBardei has earned in his ten years and three terms as director general of the IAEA, endorse the call for half a million full scholarships in developing countries, especially Africa, to study nuclear science and engineering?

Dr. ElBardei responded warmly to the suggestion, but pointed out the harsh economic problems of the United Nations.

Chinese Warn: Russia No Longer Showing Forbearance

July 17 (EIRNS)—Russia's security concerns are multiplying, "and this fact should be fully understood," wrote Wang Baofu, deputy director of China's Institute of Strategic Studies at the Chinese National Defense University, in a commentary published in *People's Daily* today. Wang wrote that "Russia is no longer showing forbearance." Just two weeks after the "Lobster Summit" in Kennebunkport, Maine, between Russian President Vladimir Putin and U.S. President George Bush, Putin has suspended participation in the Conventional Forces in Europe (CFE) treaty, which "has evoked violent responses in the United States and Europe." Wang Baofu's assessment is that on the eve of the summit, Putin "remained hopeful for some compromise" on the U.S. plan to deploy ABM systems in Eastern Europe, "but no breakthrough was scored, as had been expected." Russia was reacting both to the failure of its Western counterparts to finally ratify the CFE, and to the continued discussion of the ABM plan, Wang wrote.

"This move of Russia's indicates firstly its reluctance to make any additional unilateral compromises on the major issue of national security in the wake of the increase of its overall national strength, and secondly, its unwillingness to sit idle and remain indifferent as the U.S. is attempting to deploy an anti-missile system in the Eastern Europe, in a bid to seriously affect the Russia-U.S. strategic balance, since military might represents a core pillar for Russia to prop itself up as a major global power," Wang wrote. He called the U.S.-EU-Russian relationship a "vital, crucial factor that has a bearing on peace and stability in Europe.... Since Russia is obviously in a weak position strategically, its security concerns will naturally multiply, and this fact should be understood fully. With a grave disequilibrium of its strategic striking contrast of strength with the U.S., which has bent on seizing or using Europe to beef up its strategic superiority over Russia. Hence, it stands to reason that Russia has responded excessively." Wang called for giving new "vitality" to arms control, but more, "to increase the strategic mutual trust between nations, completely renounce the Cold War thinking and accomplish common security." For more on this, see this week's *Russia/C.I.S. Digest*; and *InDepth*, "'Something Is Rotten in the U.K.': Great Britain Escalates Crisis With Russia," by Helga Zepp-LaRouche.

In Memoriam: Philippines' Ronnie Velasco, 1927-2007

July 18 (EIRNS)—Geronimo "Ronnie" Velasco, who built the Philippines' power system, including Southeast Asia's first nuclear power plant, while serving as the Minister of Energy and CEO of the Philippines National Oil Company during the rule of President Ferdinand Marcos from 1972 to 1986, died on July 17 at the age of 80 in San Francisco, of a heart attack. Velasco, a close friend of *EIR* and the international LaRouche movement, was not only a trailblazer for his nation and for the developing sector generally, in the development of nuclear energy, but he also had re-emerged as a critical player in the current fight to revive nuclear energy in the Philippines. He will be missed by his nation and by his many friends around the world.

Velasco was unceremoniously dumped from his position as "energy czar" in 1986, when George Shultz and Paul Wolfowitz orchestrated a "regime change" military coup against the Marcos regime. The immediate consequence of that

imperial act was privatization of the state energy companies and mothballing of the completed nuclear plant, thus destroying in one shot the potential for the Philippines to emerge as a modern industrial nation, as envisioned by the Marcos plan for 11 major industrial projects. Twenty years later, in 2006, Velasco released a book, *Trailblazing: The Quest for Energy Self-Reliance*, which revealed both the dynamic development policies of those years, and the lies and foreign manipulation which led to the 1986 destruction of the Philippines' potential.

Africa News Digest

LaRouche Youth in South Africa Seek To Develop the Continent

This July, one of the first major gatherings of the newly formed South African LaRouche Youth Movement, took place near Johannesburg. The audience consisted of 20 members. A segment of older participants has been reading Lyndon LaRouche's writings since the early 1990s. In March of this year, however, stimulated by the emergence of the international LYM, a small group of youth began distributing material at the local universities and then contacted the LYM War Room in the United States, affirming itself as the South African LYM....

For the complete article, written by LYM authors Charlene Pillay and Simon Jensen, see this week's [InDepth.](#)

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