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From the Streets of America:
The Mass Strike Revolt Is On
by Jeffrey Steinberg

Aug. 8—Yesterday morning, President Barack Obama abruptly cancelled a scheduled appearance at Henderson Hall in Arlington, Va., where he was to hold a town hall meeting on his health-care ``reform" policy. Instead, he held a three-minute press conference in the Rose Garden, read prepared remarks from a teleprompter, and took no questions.

Today, the President's office announced that he had cancelled a schedule of public appearances around the country, en route to his vacation on Martha's Vineyard. Now, instead of touring the country, promoting his health-care swindle, as previously scheduled, the President is ducking for cover, taking his family to the Grand Canyon, and then to the safety of Cape Cod. Mr. Obama, in short, is hiding out.

The same is true of the vast majority of members of the House of Representatives and Senate....

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This Week's Cover

- **From the Streets of America:**
The Mass Strike Revolt Is On

Instead of touring the country to promote his health-care swindle, as previously scheduled, President Obama is ducking for cover. He is hiding out, along with the vast majority of members of the House of Representatives and Senate, from the mass revolt of the American people, against what the population sees as a betrayal by their Federal elected officials, including the President.

Feature

- **LaRouche:**
It's Time To Develop a Third U.S. National Bank

The U.S. Federal Reserve is bankrupt, along with the rest of the world financial system; and since its inception, the Fed has been a violation of our constitutional credit system. If the United States is going to survive the crisis looming in October, we are going to have to replace the Fed with a Hamiltonian Bank of the United States.

- **LaRouche PAC Videos:**
Hamiltonian Basis of a Global Credit System

LaRouche PAC has produced a series of video documentaries to inform Americans about the difference between Adam Smith's British

system, where private banks control the sovereignty of nations, and Alexander Hamilton's revolutionary hypothesis of 1779-81, in which governments have no need of going into debt to private banks, or praying to the market to create money upon which the nation subsists.

- **LaRouche Replies to Query on National Bank**
- **Documentation:**
Hamilton's Report on a National Bank

Economics

- **Looting of Fannie and Freddie Demands New Pecora Commission**

To bail out the speculators, Presidents Bush and Obama stuck Fannie Mae and Freddie Mac with the gamblers' worthless debt. The criminality of the collapse and the bailout, makes it imperative that the cases of Fannie and Freddie be thoroughly investigated by a new Pecora Commission.

- **Shutdown of Community Hospitals Portends Near-Term Health Disaster**

The fastest way to kill people who are sick is to close their community hospital. Now, in the midst of the accelerating breakdown crisis, which itself is feeding the spread of a deadly flu pandemic, hospital closings are about to lead to a rapid increase in the death rate.

- **Onward into the Future, But Not in Green Socks, Herr Steinmeier!**

Helga Zepp-LaRouche, Bündnis candidate for Chancellor of Germany, challenges SPD candidate Frank-Walter Steinmeier to abandon the green agenda, and support a real development plan for Germany.

- **Herd on the Street:**
Cash for Clunkers

There's a lot more to this government 'stimulus' program than meets the eye—and a lot less.

International

- **A Warning to Argentina:**

It's LaRouche Against The British Empire

Argentine LaRouche Youth Movement organizers busted up a drug legalization conference organized by British agent George Soros, and succeed in putting the issue of LaRouche vs. the British Empire at the center of the battle for IberoAmerica's survival.

- **No to the Empire's Pothead Dictatorship!**
- **Bill Clinton's Korea Success Enrages Obama**
- **Italy Debates Return to Mezzogiorno Development**
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- **A Grand Vision of Man's Role in Colonizing the Universe**
Krafft Ehricke's Extraterrestrial Imperative
by Marsha Freeman.

A review by Oyang Teng, LaRouche Youth Movement

Editorial

- **The Revolution Is Here!**

This Week's News

U.S. Economic/Financial News

States Resort to Theft To Balance Budgets

2009 Tax Year Receipts Set for 18% Decline, Biggest Drop Since 1932

Are Tent Cities Obama's Answer to the Housing Crisis?

Regulators Refuse To Bow Before Obama 'Bank Czar'

States Resort to Theft To Balance Budgets

Aug. 3 (EIRNS)—As the disintegration of the national economy makes it impossible for states to balance their budgets, some states are resorting to taking money from anywhere they can find it, even if it's earmarked for other needs. California is the most blatant in this, as the budget signed by Gov. Arnold Schwarzenegger, last week, mandates that the state will take \$1.7 billion in economic redevelopment funds meant for city and county budgets. The budget also takes millions more in gas and property tax receipts from local coffers. Representatives of the League of California Cities (CAC) called the this an "irresponsible Ponzi scheme" and argued that it was illegal. The CAC and Los Angeles County have announced that they are preparing a lawsuit to stop the seizure of funds, on the grounds that it is unconstitutional. Last April, the CAC won a lawsuit against an earlier effort by the state to seize \$350 million in redevelopment funds.

If the seizures go through, municipalities in California will have even more difficulty trying to balance their budgets and meet their responsibilities.

Other states are looking at funds earmarked for specific purposes to replace lost general fund revenues. Texas has \$3.7 billion in such funds that will be spent instead to balance the next two-year budget. This includes money, mostly from fines and levies, and dedicated to providing electricity discounts for low-income customers, reimbursing hospitals for providing uncompensated care, and reducing CO₂ emissions, and even gasoline taxes dedicated to road building.

In New Hampshire, a state judge overruled an effort by Gov. John Lynch to use \$110 million from a fund dedicated to helping physicians get malpractice insurance, to balance the budget.

2009 Tax Year Receipts Set for 18% Decline, Biggest Drop Since 1932

Aug. 3 (EIRNS)—The Associated Press today released results of its new analysis of U.S. Treasury data, showing that Federal tax receipts are plunging at a year-on-year rate of 18% this fiscal year (which ends on Sept. 30), the largest rate of collapse since 1932, during the Great Depression. According to AP's survey of data available for the first three-quarters of

the Federal budget year (Oct. 1-June 30), through June this year:

- * Individual Internal Revenue Service receipts are down 22% from same time a year ago.
- * Corporate IRS receipts are down 57%.
- * Social Security tax receipts might post a decline for FY2009, "for only the second time since 1930."
- * "Medicare taxes are on pace to drop for only the third time ever."

The AP study went back to 1913, the year that the Federal income tax began, in conjunction with the creation of the Federal Reserve System.

Are Tent Cities Obama's Answer to the Housing Crisis?

Aug. 2 (EIRNS)—They may not be made of tarpaper any more, but in cities, the modern equivalent of Hoovervilles are springing up everywhere, as homeless and unemployed people are ending up in tent cities.

* A tent city with about 40 residents has set up on state-owned land under a bridge in East Providence, R.I. The camp had originally been set up across the river in Providence about four months ago, then moved because it was threatened by a construction project. John Freitas, the camp's leader, blasted Gov. Donald Carcieri (R), who has said he won't allocate any state land for the homeless, despite the obvious fact that there isn't enough shelter space for them.

* A tent city in Champaign, Ill., lost a zoning appeal and will have to seek an alternate location. About 15 people were living behind a local Catholic Worker House.

* In Washington State, the state supreme court ruled that the city of Woodinville should have given a hearing to those who would erect a tent city for the homeless at a local church. A homeless advocacy group had planned a tent encampment for 60 to 100 people, and the city responded by imposing a moratorium on temporary use permits in the area.

* In New York City, dozens of activists built a tent city on property owned by JPMorgan Chase in East Harlem, to protest the lack of housing for the poor.

* In Fresno, Calif., local officials say they have resettled most of the 150 residents of a tent city that they closed on July 30. Now they are moving to close two more with Federal stimulus money.

* In Las Vegas, police are breaking up a tent city that housed 300 people at one point, but is now down to about 50.

Regulators Refuse To Bow Before Obama 'Bank Czar'

Aug. 4 (EIRNS)—Treasury Secretary Timothy Geithner on July 31 assembled a meeting of financial regulators, whom he cursed at for not toeing the Administration's line on the "reform" of the financial regulatory matrix. According to today's *Wall Street Journal*, those present included Sheila Bair, head of the FDIC (and a vocal critic of the design of the reform), Fed chairman Ben Bernanke, and Mary Shapiro, head of the Securities and Exchange Commission. At issue is the consolidation of regulatory oversight into a single National Bank Supervisor, who would be housed at the Federal Reserve.

Obama's plan, created by Larry Summers and the National Economic Committee, would also consolidate the Offices of Thrift Supervision (OTS) and the Comptroller of the Currency (OCC), supervisor of federally chartered banks, into the new NBS office.

This provided the subtext for a hearing of the Senate Banking and Commerce Committee, where the OCC's John Dugan and the OTS's John Bowman testified, along with Bair and Fed Board member Dan Tarullo. No one backed down to Treasury's demand, giving another lump to the already bruised ego of President Obama. Bair and others repeatedly brought up the fact, that a consolidated regulator, "as in Europe" is no guarantee against a banking crash.

Global Economic News

China's Urban Unemployment Approaching Worst Level in 30 Years

Economic Statistics: 'As You Like It'

China's Urban Unemployment Approaching Worst Level in 30 Years

Aug. 5 (EIRNS)—More than 16.5 million people are out of work in China's cities and big industries, which a leading official of the Ministry of Human Resources and Social Security yesterday called a "very grave" situation. Wang Yadong, deputy director of employment promotion, said that the urban unemployment rate would stay below 4.6%. While that may seem low, it would be the highest level since 1980. Among the unemployed are 3 million college graduates who have been unable to find work. "Though we have managed to stabilize the urban unemployment rate at 4.3% in the second quarter, the situation is still very grave. We are under enormous pressure to promote employment," Wang said. "The global financial crisis has yet to bottom out. A lot of companies in China are having a difficult time and there is still a great risk of unemployment."

The number of urban jobs grew by just 0.13% as of June this year, after falling by over 8% during October 2008-January 2009.

This unemployment rate does not include the country's 150 million migrant workers. Wang claimed that the situation for these millions had improved since February, when government officials admitted that some 20-30 million workers—approaching half of those returning to their home villages for the Spring Festival—did not have a job to return to in the factories producing low-cost exports for Europe and the U.S. In the first government report on migrant workers since February, Wang claimed that the situation is now better, with most of the older workers having found a job, and another 10 million migrants going to the coastal regions. About 4.5 million still have not found work, he said. But those who are working are getting lower pay and working longer hours, *China Daily* quoted labor expert Cai Fang saying. "These workers have nothing to fall back on. Because they cannot afford to lose their jobs, they are quite flexible in job hunting," he said.

The big government stimulus program may be generating more jobs for the moment, but as the world economy hurtles towards meltdown, this short-term effect cannot last.

Economic Statistics: 'As You Like It'

Aug. 7 (EIRNS)—Election campaigns produce miracles, of course. Thus, in Germany, the latest economic figures show "the biggest monthly jump" of exports in three years. Compared to May, exports in June have grown 7%; however, on a

yearly basis, they have dropped 22%. The same goes for industrial orders: Compared to May 2009, they supposedly increased by 4.5% (mostly in machines and car production)—but compared to June last year, they dropped 25.3% (after dropping 29.4% from May 2008 to May 2009).

In reality, German exports collapsed in the first half of 2009 by one-quarter, while imports collapsed by 17.6%, as the Federal Office for Statistics also announced.

In Italy, where there is no upcoming election, figures are presented for what they are. Thus, industrial production fell 1.2% in June compared to May, which, annualized, makes a drop of around 20%. This is a blow to the "upswing" propaganda, which had forecast an upturn in June, after stagnation in May.

The drop occurred especially in the energy, machines, and durable consumer goods sectors. Producers forecast a fall in orders starting in September, when agents will collect retail orders. Retail shops are full of unsold inventory, so, in September, there will be no orders for the next year.

United States News Digest

Obama White House Employs Cheney-Like Secrecy

Soros Plugged into the U.S. Treasury.

Marine Corps Bans Social Networking on Its Computers

California's Prison Health-Care System Ruled Unconstitutional

More White House Lies: No 'Stimulus' Money for Infrastructure

Collapse of States Brings on Deaths

Obama White House Employs Cheney-Like Secrecy

Aug. 8 (EIRNS)—Those on the left who advocated the impeachment of then-Vice President Dick Cheney for his high crimes and misdemeanors see disturbing similarities in the Obama White House. John Nichols, writing in *The Nation*, notes that the Bush-Cheney White House's refusal to release visitor logs during the time that Cheney was conducting his energy task force portended "darker and dirtier deeds" to come. Similarly, the Obama White House has refused to reveal who came to the White House for the health-care industry meetings it hosted, including the details of the discussions with Big Pharma and hospitals. Nichols writes that, more dangerous than the breaking of an apparent campaign promise, "is the perpetuation of practices of official secrecy that characterized the Bush-Cheney den of iniquity."

"Official secrecy," Nichols writes, "especially when it involves meetings by White House aides and representatives of corporate interests that face government regulation, is corrosive. It warps the official agenda and undermines the system of checks and balances, making the legislative branch a weak second to a unitary executive."

Soros Plugged into the U.S. Treasury.

Aug. 6 (EIRNS)—What investigators of any future Pecora Commission-style probe into the criminal activities of the London and Wall Street financiers must look at: Dopestor billionaire George Soros controls a key intelligence channel into the U.S. Treasury Department.

Here's how it came about.

In February 2008, Soros made Keith T. Anderson the chief investment officer of Soros Fund Management, replacing Soros's son Jonathan in that post.

Soros brought Anderson over to his company from his leadership slot at BlackRock, a firm spun off from Peter Peterson's Blackstone Group in the early 1990s.

In late 2007, Anderson served as chairman of the Treasury Borrowing Advisory Committee of the Securities and Financial Markets Association. A sidekick of Anderson, BlackRock executive Rick Rieder, was then vice chairman of that same Treasury committee.

This Advisory Committee is a financiers' group which officially counsels the U.S. Treasury on the conditions under which the Treasury is dealing with the financial community for borrowing, etc. Treasury officials, in turn, report to the Advisory Committee their own analysis of the situation.

Since joining Soros, Anderson has remained chairman of the Treasury Advisory Committee, and his BlackRock colleague Rick Rieder has remained vice chairman. These two men sign the quarterly reports of the Committee to the Treasury.

Treasury lists the leadership for the Advisory Committee as Chairman: Keith T. Anderson, Chief Investment Officer, Soros Fund Management, New York City. Vice chairman: Rick Rieder, head of Fixed Income Alternatives, BlackRock, New York City.

Marine Corps Bans Social Networking on Its Computers

Aug. 6 (EIRNS)—The U.S. Marine Corps has banned Twitter, Facebook, MySpace, and other social media sites from its networks, effective immediately, according to wired.com. "These internet sites in general are a proven haven for malicious actors and content and are particularly high risk due to information exposure, user generated content and targeting by adversaries," reads an Aug. 3 Marine Corps order. "The very nature of SNS [social network sites] creates a larger attack and exploitation window, exposes unnecessary information to adversaries and provides an easy conduit for information leakage that puts OPSEC [operational security], COMSEC [communications security], [and] personnel at an elevated risk of compromise."

California's Prison Health-Care System Ruled Unconstitutional

Aug. 5 (EIRNS)—A three-judge panel yesterday ordered the California prison system to reduce its inmate population of 150,000 by 40,000—about 27%—within the next two years.

In a scathing 184-page order, the judges said that state officials had broken previous agreements to fix its prison health system, which it called unconstitutional, and which causes *one unnecessary death per week*.

The ruling is the largest state prison reduction ever imposed by a Federal court over the objection of state officials,

according to the *New York Times*.

The order occurs after a long battle by Governor Arnold Schwarzenegger to brutally cut social welfare programs, schools, and health care to get a budget. Schwarzenegger had planned to reduce the prison population by 27,000 inmates, but objections by law enforcement officials sank the plan.

This case began 15 years ago with class action suits. The medical case ended with a Federal receiver overseeing the system, and the mental health care overseen by a special master.

State Attorney General Jerry Brown, a Democrat, appeared to position himself to the right of Hitler-admirer Schwarzenegger, saying that the court had ordered standards of care "that exceed the standard required under the U.S. Constitution."

Schwarzenegger had agreed to spend \$3 billion to build two prison hospitals and create 5,000 beds for ill inmates, but reneged.

More White House Lies: No 'Stimulus' Money for Infrastructure

Aug. 5 (EIRNS)—President Obama took his road show to the Midwest in economically devastated Elkhart County in Indiana, telling the audience that "the U.S. economy is beginning to recover" and asking for "patience during the road back." Yet reports from various U.S. government departments on spending for infrastructure show that nothing is moving, and the Administration's touting of the impact of infrastructure building using the stimulus money has turned out to be a complete hoax.

The Federal Transit Administration has spent about \$500 million of the \$8.4 billion it received. The Coast Guard has decided on the four bridges they will build, but "money will not transfer hands for a while," one official pointed out. What it means is that none of the construction projects are in a position to begin during the Summer construction season. Not much construction activity will begin during the Winter.

The White House Recovery Office said on Aug. 4 that government agencies have decided how to spend \$31 billion of \$73 billion going directly into construction projects, but the officials could not offer a figure on how much actually has been spent, which is next to nothing. There is no talk of how many jobs the "stimulus"-money-driven infrastructure projects have created so far.

Collapse of States Brings on Deaths

Aug. 4 (EIRNS)—The Fire Department of Los Angeles, America's second-largest city, with a population of 3.8 million, is cutting emergency services. Los Angeles permanently took three ambulances out of service Aug. 2, and will pull 15 fire trucks and another six ambulances out of service beginning Aug. 5, to bridge part of a \$56.5 million budget shortfall. Additionally, three slots for captains who supervise paramedics will be eliminated. The fire chief says response times will be increased, meaning that lives will be lost. The department must still find another \$13 million to cut.

Meanwhile, Jefferson County, Ala., population 660,000, which includes Birmingham, the state's largest city, laid off two-thirds of its 3,600 public employees yesterday. This cuts the entire range of services, including security. A spokesman for the county sheriff announced today that he may call for the National Guard to help maintain order, come September, when the sheriff's office's current funding run out, and as many as 188 deputies may have to be laid off.

The *New York Times* says that ten states and the District of Columbia still lack budgets for the fiscal year which began July 1, and face a total of \$4 billion in shortfalls. But that's only the beginning, as revenues are continuing to plummet. In his Aug. 1 webcast, Lyndon LaRouche called for \$150 billion in emergency revenue-sharing, coupled with his measures for reorganization in bankruptcy.

Ibero-American News Digest

Mexican Counties, States Bankrupt, Leaving Narcos in Charge

Drug Czar Affirms U.S. Backing for Mexico's War on Drugs

Sonora Elections: No One Wants To Take on Dope, Inc.

Chávez Caught Arming FARC

Investigate FARC Ties to Soros's Zelaya Project

Mexican Counties, States Bankrupt, Leaving Narcos in Charge

July 30 (EIRNS)—At least 70% of Mexico's 2,400 municipalities—a political unit similar to U.S. counties—are bankrupt, and if Federal emergency aid is not forthcoming, governability will be called into question, the head of the National Conference of Mexican Municipalities, José Luis Durán Reveles, warned in a press conference yesterday. Flanked by municipal officials from around the country, Durán said that governments will be forced to suspend salaries for public workers, including police, and shut down basic services.

A similar alarm was raised by the chairman of the Senate Municipal Development Committee, Sen. Ramón Galindo Noriega, from the governing PAN party, who reported that a 27% drop in Federal funding for states and municipalities over the first six months of the year, combined with a collapse of some 50% of the funds the states and municipalities receive from Federal oil revenue-sharing agreements, has created layoffs, salary cuts, electricity cutoffs, cancellation of basic services, and, in some cases, municipal governments simply closing their doors altogether.

On top of all that, remittances from Mexicans working abroad fell by 12% in the first six months of the year (over the same period in 2008), and non-oil exports fell by some 25-30%. The most devastating indicator of the degree of economic disintegration Mexico is undergoing, is the end-of-the month report that there was a 6% year-on-year fall in electricity use nationally, in the first five months of the year, with a 20% drop in electricity use by large companies.

Mexico is now fighting a brutal war against the narco-armies; where government shuts down, the drug cartels move in.

Drug Czar Affirms U.S. Backing for Mexico's War on Drugs

July 28 (EIRNS)—Gil Kerlikowske, director of the White House Office of National Drug Control Policy, met with Mexican President Felipe Calderón on July 27 to reaffirm the United States' strong backing for the Mexican President's war against the drug cartels, and its commitment to strengthening bilateral anti-drug cooperation between the two governments.

Kerlikowske is in Mexico for four days of working meetings with cabinet ministers and other officials involved with various aspects of the war against the drug trade.

While the *Washington Post* ran a front-page article July 28 claiming that Mexico's anti-drug war isn't working, and that a "new strategy" is needed, Kerlikowske indicated otherwise. In a press conference with Health Minister José Angel Cordova, he rejected any notion that the government's policy has been a failure, and praised Calderón's courage and leadership.

Moreover, he said, those who suggest that negotiating with drug kingpins is an option are wrong, as the cartel leaders are terrorists and criminals. He also repeated a point he made in the U.S. last week, that legalization is not the way to stop drug distribution.

Kerlikowske also heard blunt remarks from Mexico's Attorney General Eduardo Medina Mora, who said, in a joint press conference, "We frequently find insufficient resources and infrastructure on the U.S. side, to prosecute those who carry out low-level marijuana trafficking" from Mexico to the United States. Mexico is concerned that the United States not give up in this battle, he said, and that it increase prosecutions of these trafficking crimes. This trade, he said, is the main source of income for Mexico's violent drug cartels.

Sonora Elections: No One Wants To Take on Dope, Inc.

Aug. 8 (EIRNS)—Mexico's highest electoral court, the Electoral Tribunal of the Judicial Power of the Federation, yesterday overturned the Sonora State Electoral Tribunal's July 30 decision that it did not have "jurisdiction" to issue a finding on the charges of vote fraud against PRI candidate for governor Alfonso Elías Serrano in the July 5 election. In addition to significant evidence of overt fraud, there are credible charges of millions of dollars in drug money flowing into the state in order to throw the election.

The families of at least two members of the State Tribunal received death threats immediately prior to their finding, according to reliable local sources. As a result, the State Tribunal tried—unsuccessfully—to pass the hot potato up to the national authorities.

The Federal Tribunal unanimously found that the State Tribunal's decision was "unacceptable and illegal," and ordered it to issue a full finding within nine days, as to the validity of each of the charges.

As with the nation of Colombia in the 1980s, where no judge dared rule on cases of extradition of drug-runners to the U.S., out of fear for their lives, judicial authorities in Mexico are now being put in a similar bind. London's Dope, Inc. is heavily committed to ensure that the state of Sonora, in particular, becomes theirs.

Chávez Caught Arming FARC

July 28 (EIRNS)—Britain's "Bolivarian" project in Venezuela is tripping over itself, after disclosure that Swedish-made anti-tank rocket launchers found in a camp of the Colombian drug-running terrorist FARC, were first sold to the Venezuelan military. Swedish Foreign Ministry spokesmen acknowledge that the Swedish government has demanded that Venezuela account for how and why AT4 anti-tank rocket-launchers sold by Bofors Dynamics to the Venezuelan Army years ago, ended up in FARC hands. The Swedish statements followed Colombian President Alvaro Uribe's July 26 announcement that his government had filed complaints "through diplomatic channels to the respective countries" involved.

Apparently having difficulty finding any other way to squirm out of this one, Venezuelan President Hugo Chávez announced that he was freezing relations with Colombia, had ordered his ambassador and diplomatic personnel to withdraw, and would halt all trade agreements and search for new suppliers to replace imports from Colombia, in protest over the "suggestion" that his government was involved in arming the FARC.

Investigate FARC Ties to Soros's Zelaya Project

July 30 (EIRNS)—The Honduran prosecutor general's office has opened an investigation into charges by national police officials, that supporters of ousted President Manuel Zelaya are receiving monies from Colombia's narcoterrorist FARC, to finance protests against the de facto Micheletti government.

Given Zelaya's allegiance to the world's biggest drug-pusher, Nazi-trained George Soros, lobbying for both Soros's drug legalization drive and his International Criminal Court, the charges bear investigation. The FARC is the world's number one cocaine cartel, exposed as a tool of Britain's Opium War and its Wall Street agents, with the June 1999 release of the "Grasso Abrazo," a photograph of the FARC's number two comandante, Raúl Reyes, smiling as he embraced the beaming then-head of the New York Stock Exchange, Richard Grasso, at the FARC compound in the Colombian jungle.

Discovery of receipts and a notebook listing payoffs ranging from \$2,500 to \$100,000 to 14 leaders of the "popular resistance" to the Micheletti government, triggered the investigation earlier this week.

National police official Danilo Orellano stated that some of the people involved "are directly involved with the FARC, and receive money from the FARC."

Zelaya, ousted from office over a month ago, is frustrated that his international sponsors have been unable to put him back in power, while protests on his behalf inside Honduras remain small, despite his repeated calls for "insurrection." After issuing "revolutionary" threats for a week, from a Nicaraguan town on the Honduras border, Zelaya returned to the comforts of Nicaragua's capital, Managua, and then back to his international travels.

Western European News Digest

[Credit Crunch Hitting German Retailers](#)

[Top German Daily Demands Brutal Budget Slashing](#)

[Italian Website Promotes LaRouche Webcast](#)

[Berlusconi-Tremonti Meeting on Mezzogiorno Strategies](#)

[Italy Grants Debt Moratorium to Industrial Companies](#)

[Russia-Turkey Sign Deal on South Stream with Italian Participation](#)

[French Farmers Threaten 'Burning Summer' against EU Caprice](#)

Credit Crunch Hitting German Retailers

Aug. 3 (EIRNS)—Revenues in the German consumer retail sector are dropping, with Germany's biggest retail and trade conglomerate Metro announcing it has lost almost EU1 billion in the first half of 2009. Metro is registered on the DAX stock exchange, and employs nearly 300,000 people at 2,100 retail locations. Other retail firms had losses in June of 1.6% year-on-year. Shopping mall chains suffered the biggest losses: 5.7% down from last year in June; bakeries, butchers, and other specialized food stores dropped 4.1%. Discounters racked up bigger losses than expected: Exemplary was Aldi, down 4.1% for the first half of 2009. The losses bespeak the fact that people have less buying power and there is a deflation in food products, which the Metro spokesman specifically identified.

Top German Daily Demands Brutal Budget Slashing

Aug. 8 (EIRNS)—Germany's top establishment daily, the *Frankfurter Allgemeine Zeitung*, demands "deep cuts" in the German Federal budget after the elections at the end of September. "To balance the budget without tax increases, every fourth euro of spending would have to be eliminated." The "big chunks," which would really make a difference, and have to be cut in the view of these servants of the financial oligarchy, are labor, social welfare, and pensions of EU153.1 billion as budgeted so far for 2010. While nobody dares before the elections to "tell the whole truth ... brutal cuts are inevitable."

Italian Website Promotes LaRouche Webcast

Aug. 5 (EIRNS)—The Italian website *criticamente.it*, connected to a group of globalization critics based in Padua, published a review of Lyndon LaRouche's Aug. 1 webcast on Aug. 4, entitled: "LaRouche: Default in the USA Between Oct. 1 and Oct. 12."

The short article says that LaRouche, "87, held a 3.45 hour conference speaking freely. With surgical precision, he locates the time frame between the 1st and the 12th of October, when the United States (at state and Federal level) will no longer be able to meet payments, thus defaulting. Throwing in jokes, LaRouche forecast that members of Congress going back to their constituencies, from that period on, will risk being lynched. Heavy considerations also on the number of unemployed, which would be 30% of the labor force, of whom only one-third are receiving compensation." It then gives the link to watch the webcast (www.larouchepac.com).

Berlusconi-Tremonti Meeting on Mezzogiorno Strategies

Aug. 4—Italian Economics/Finance Minister Giulio Tremonti met with Prime Minister Silvio Berlusconi yesterday, to discuss a development strategy for the Mezzogiorno, Italy's underdeveloped southern regions. According to leaks from the Premier's office, Tremonti has insisted that money should be given only for specific projects, of at least five years' duration.

The idea is to revive the early Cassa per il Mezzogiorno (Development Fund for the Mezzogiorno) the approach, although the new agency will probably not have the same name. The regionalist Lega Nord (Northern League), an ally of Tremonti, has approved the idea, but rejected the Cassa name. "It evokes the second part of the Cassa performance, which was negative," said Roberto Calderoli, a Lega cabinet member. (See InDepth for "Italy Debates Return to Mezzogiorno Development.")

Italy Grants Debt Moratorium to Industrial Companies

Aug. 4 (EIRNS)—A government-sponsored deal was signed yesterday between the national banking association ABI and the industrialist association Confindustria, by which banks will concede a one-year moratorium for capital repayment on loans to industrial firms. The government will support the banks with a tax reduction for each moratorium.

The measure is aimed only at firms with up to 250 workers, which is 90% of the total in Italy. Those firms can obtain a one-year moratorium on real estate leasing rates and a stretch-out of short-term credit up to 270 days.

Russia-Turkey Sign Deal on South Stream with Italian Participation

Aug. 7 (EIRNS)—The Prime Ministers of Russia and Turkey, Vladimir Putin and Recep Tayyip Erdogan, respectively, yesterday signed an historic deal in the presence of Italian Prime Minister Silvio Berlusconi, who was honored with the designation of "patron," because of the role played by Italian industry and diplomacy. The deal concerns the construction of the South Stream gas pipeline, which will supply European Union countries with Russian gas, without going through third countries. Indispensable for the project, however, is Turkish consent to passage through its territorial waters. Turkey was compensated with Russian gas deliveries and consent for the Samsun-Ceyhan oil pipeline project, from the Black Sea to the Mediterranean.

ENI, Italy's state energy conglomerate, will build South Stream, which will start with 31 billion cubic meters of Russian gas per year, to expand to 63 billion in a second phase.

French Farmers Threaten 'Burning Summer' against EU Caprice

PARIS, Aug. 3 (EIRNS)—The European Union Commission has come up with a plan to impose free-trade competition: demanding that thousands of French farmers, many of whom are long-since bankrupt or even deceased, repay EU500 million in "illegitimate" subsidies, plus interest, that they received from the EU between 1992 and 2002!

François Lafitte, who heads the French Federation of Economic Committees (Fédécom), said that nobody is going to pay back these subsidies. First, because the amounts claimed by Brussels are unfounded. Second, because it will ruin the profession. If Le Maire goes ahead, farmers promise a "burning Summer."

NICE Decides That Britons Need To Suffer More Back Pain

Aug. 2 (EIRNS)—In Britain, if you have been suffering back pain for up to a year, and your doctors can't figure out what's causing it, NICE (National Institute for Health and Clinical Excellence) bureaucrats have decided that you can continue to suffer. The Institute has ordered that such patients will no longer be offered injections of such steroid medicines as cortisone in an effort to ease the pain, and instead, should be offered treatments like acupuncture and osteopathy. The National Health Service provides some 60,000 steroid injections every year, and NICE wants to reduce this to no more than 3,000, to save money.

Dr. Jonathan Richardson, a pain specialist, is one of more than 50 doctors to sign a letter to NICE demanding that it reconsider its decision. He is quoted in the *Daily Telegraph*: "The consequences of the NICE decision will be devastating for thousands of patients. It will mean more people on opiates, which are addictive, and kill 2,000 a year. It will mean more people having spinal surgery, which is incredibly risky and has a 50% failure rate."

Russia and the CIS News Digest

Russian Blogs Highlight LaRouche on Preventing a Dark Age

Is Someone Trying To Reignite Russia-Georgia War?

Summit Discusses Afghan Opium, Energy Development, Transport

Russian Blogs Highlight LaRouche on Preventing a Dark Age

July 30 (EIRNS)—The posting of a reply by American economist Lyndon LaRouche to a question from the popular Russian Live Journal blog, "Alexsword," today was ranked by the search engine Yandex.ru as one of the top ten blog postings on Russian-language sites, being viewed by thousands of people, beginning yesterday. The question, framed as a discussion of similarities between today's global crisis and the Italian bankruptcies of the mid-14th Century, posed the following to LaRouche: Since a Dark Age is inevitable out of the collapse of the current system, and people in the U.S.A. and Europe are terminally wedded to that system, why are you wasting your energy addressing them, when you could be working primarily with people in other places (Russia, Third World), where your ideas are more welcome?

LaRouche's reply, as follows, was published in full:

"My role, and influence, from inside the U.S.A. is of crucial importance for the world at large today. The very loudness and frequency of the repeated assertion that my influence inside the U.S.A. is inconsequential, is to be read as proof of the importance those sources place on attempting to deny the reality of my role here.

"The crucial issue is the identification of the remedy for the presently onrushing general breakdown-crisis of every part of the planet. There is no existing remedy for the present global breakdown-crisis, except a shift out of all monetary systems, into a credit-system modeled upon the crucial role of Alexander Hamilton in defining the economic principle on which the existence of the U.S. as the chief enemy of the British empire, today as then, has been premised. I am the only leading economist, internationally, who presently grasps that conception, a conception on which the avoidance of the present plunge of the entire planet into a new dark age now immediately depends."

Besides this direct reply from LaRouche, the posting featured excerpts from a new Russian Orthodox Church statement, attacking the role of "speculation-based capital" in the current world crisis. "Alexsword" also quoted interviews and statements by LaRouche in 1993 and 2009, linking to source documents on the LaRouche movement's own Russian-language site, such as "A New Dark Age Is at Hand: Today's 'Brutish' Imperialism" and excerpts from LaRouche's June 27, 2009 webcast. Hundreds of readers have followed those links to the LaRouche Russian site.

Is Someone Trying To Reignite Russia-Georgia War?

Aug. 5 (EIRNS)—One year after the August 2008 Georgia-South Ossetia war, the situation remains a powder keg, which could feed into "arc of crisis" conflicts from south Russia to western China.

On Aug. 1, Russia accused Georgia of responsibility for mortar fire into the South Ossetian city of Tskhinvali, and warned that Moscow would act with "all available forces and means" to defend South Ossetia. Georgia responded by condemning Russia's accusation as "groundless and misleading," and charged that Russia was looking for a pretext to further destabilize the situation. According to wire reports, European Union monitors investigated the Russian charges, but found no evidence to confirm any firing into Tskhinvali, though they noted that EU patrols were blocked from entering South Ossetia and hence were unable to make a "more complete assessment of the situation on the ground."

The increase in tensions came less than a week after U.S. Vice President Joe Biden made a visit to Tbilisi.

On Aug. 5, Russian leaders warned of the danger of renewed conflict, especially around the role of Georgian President Michael Saakashvili, which could involve Russian relations with the United States. Russian Foreign Minister Sergei Lavrov warned that Saakashvili was attempting to play the United States against the EU monitoring mission in Georgia. Lavrov said on Vesti television that Tbilisi's plan is to attract Americans to Georgia and place U.S. observers alongside Russian soldiers. And from there, the masters of provocations, plenty of whom are available to Saakashvili, "will try to do their usual work." Deploying U.S. observers would be "simply inappropriate," Lavrov said, but he supported the EU observers, Novosti reported.

The Russian military is also warning of renewed conflict, as third countries are continuing to help Georgia rebuild its military capabilities. Deputy chief of the general staff Gen. Col. Anatoli Nogovitsyn said that, with this help, Georgia is "restoring its military potential at a fast rate," Novosti reported Aug. 5. "Russia is trying to prevent a new conflict and will do everything possible to stop it taking place. This is our key task now."

Summit Discusses Afghan Opium, Energy Development, Transport

July 31 (EIRNS)—Heads of states of Afghanistan, Pakistan, Russia, and Tajikistan met at Dushanbe on July 30 to highlight the threat posed by the Afghan opium explosion, and the necessity to put in place a developmental program for Tajikistan through which the Afghan opium/heroin travels to Russia. In their joint statement, the Russian, Afghan, Pakistani, and Tajik leaders urged the world community to take additional measures in the fight against the drug threat from Afghanistan. The document emphasized concern with the growth of illegal drug trafficking as one of the main sources of financing terrorist activity. The parties urged the international community to take additional measures, in cooperation with the Afghan government, for a resolute fight against the drug threat, the statement said.

After the meeting among Pakistani President Asif Ali Zardari, Tajik President Emomali Rakhmon, Russian President Dmitri Medvedev, and Afghanistan President Hamid Karzai, they stressed the importance of the development and strengthening of economic and trade relations. The meeting underscored the importance of commissioning the 1,000 MW Sangtuda-1 Hydropower plant in Tajikistan. Separately, Pakistan, Afghanistan, and Tajikistan participated in a meeting in which they agreed to construct rail, roads, and highways on the Panji Poyon-Sherkhon and Bandar-Kabul-Peshawar routes, giving Tajikistan access to the sea through Pakistani ports. A day earlier, Zardari and his Tajik counterpart Rakhmon agreed to establish regional electricity networks and early implementation of the hydropower project.

The quadrilateral meeting is also significant in light of the Aug. 20 Afghan Presidential elections. President Karzai is seeking re-election, in a field of at least 37 candidates. While there are rumblings in Washington against Karzai's administration, the Dushanbe summit ensured support for him from important regional leaders.

Southwest Asia News Digest

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State Dept. Reprimands Israel on Jerusalem Evictions

Aug. 6 (EIRNS)—Barack Obama has lost the support of the Arab media and many Arab leaders because of his failure to live up to promises of a new approach to the Arab world, especially the Palestinians, report *EIR* sources in Washington, Europe, and several Arab countries. The United States, along with Britain, has continued to block the reconstruction aid to Gaza after Israel's invasion in January 2009. Even more important, in response to Prime Minister Benjamin Netanyahu's fascist regime escalating the expansion of Jewish settlements in East Jerusalem—which has been broadly described as ethnic cleansing—the White House has done almost nothing, despite strong statements from Secretary of State Hillary Clinton and special envoy George Mitchell, demanding a freeze of all settlement activity.

However, Israeli Ambassador to the U.S. Michael Oren was called into the State Department for a reprimand on Aug. 3, over the eviction of two Arab families who had lived in their homes since 1958, and which they purchased under UN supervision when East Jerusalem was part of Jordan. At the same time, the Israeli ambassador to Sweden was called in for a reprimand on this same issue—Sweden is the head of the European Union at present. This was the second time in two weeks that the U.S. called in Oren, but the British-controlled Netanyahu government is intent on pushing the confrontation over the settlements to the maximum—counting on the fact that the U.S. will back down, or that its foreign policy team will fracture.

According to the Israeli daily *Ha'aretz*, in the meeting with Oren, the State Department called the eviction of two Palestinian families from their homes in the Sheikh Jarrah neighborhood, "a provocation that was contrary to the spirit of the road map." At another meeting with Oren, State Department officials conveyed U.S. "displeasure" over plans to build housing for Jewish religious settlers in on the site of the Shepherd Hotel in Sheikh Jarrah.

The pedigree of the Shepherd Hotel confrontation as a British operation was exposed by *EIR* in 1985-86, when its Special Report, *Moscow's Secret Weapon: Ariel Sharon and the Israeli Mafia*, identified the purchases of West Bank properties by organized-crime-linked Jewish circles in Israel and the U.S., as part of Britain's "Temple Mount" operation to incite religious warfare.

GOP's Cantor Backs Netanyahu Against Mitchell, Clinton

Aug. 6 (EIRNS)—A delegation of 25 Republican Congressmen, led by Republican whip Rep. Eric Cantor (Va.), has been on a week-long visit to Israel, with the goal of undermining the U.S. policy of demanding a freeze on Israeli settlements in occupied territory. Cantor made clear that this largest-ever Congressional delegation is there to defend the "special relationship," and stop the U.S. from pressuring Israel on a settlement freeze. "Any discussion of settlements, any discussion of the issues of living in East Jerusalem should not take precedence over the primary focus [on] the growing threat of a nuclear Iran," Cantor told Israeli radio on Aug. 6.

Cantor's statements came out just as the Netanyahu regime leaked alleged details of discussions with special envoy George Mitchell last week. According to *Ha'aretz* on Aug. 6, Mitchell had asked both Prime Minister Benjamin Netanyahu and Defense Minister Ehud Barak for a peace "deposit" of a one-year settlement freeze. Previously, there had been no time limit, and the freeze was being posed as non-negotiable. In addition, the use of the word "deposit" has great historical and emotional weight, because that was the word used by the assassinated Israeli Prime Minister Yitzhak Rabin and the late Syrian President Hafez al-Assad, in their peace negotiations with then-President Bill Clinton. Rabin's and Assad's preliminary agreements were written down and given to Clinton, who put them in his pocket. To this day these agreements are referred to as the "pocket deposit." The leaking of the Mitchell discussion is an attempt to chisel away at the policy on

freezing all settlement expansion.

This slimy violation of the confidentiality of the talks with Mitchell, was strongly criticized in an internal memo to the Israeli Foreign Ministry, by the well-respected Israeli Consul General in Boston, Nadar Tamir. His letter was made public by Channel 10 TV on Aug. 6. Tamir's memo rebuked Netanyahu, saying: "The manner in which we are conducting relations with the American administration is causing damage to Israel. The distance between the U.S. and Israel has clear consequences for the Israeli deterrence.... Nowadays, there is seen in the U.S. that Obama is forced to deal with the obduracy of the governments in Iran, North Korea and Israel.... [T]he American administration is making an effort to lower the profile of the disagreements and yet it is Israel that is the source which is highlighting the differences." He added that Netanyahu's sparring with the U.S. over the construction of new housing in the West Bank and East Jerusalem is losing American Jewish support for Israel.

A spokesman for Netanyahu then accused Tamir of violating protocol by expressing political views against the Prime Minister.

(A group of about 30 Democratic Congressmen are scheduled to travel to Israel on Aug. 13, according to the American Israel Public Affairs Committee.)

Anglo-Israeli Making of an Iran Provocation

Aug. 6 (EIRNS)—The recent escalation of stories that Iran is about to build a nuclear bomb, has been shown to be an Anglo-Israeli operation. Under the headline, "Iran ready to build a bomb; it is just waiting for the Ayatollah's order," the *Times* of London claimed that Iran could build a bomb within one year of a go-ahead from Supreme Leader Ayatollah Ali Khamenei. The article, published on Aug. 3, quoted unnamed "Western intelligence sources" who told the *Times* that Iran has mastered the technology to trigger a bomb, and that it would take six months to enrich the uranium, and another six months to assemble a bomb, once approval were given.

After also citing Israeli claims, the *Times* wrote: "British intelligence services are familiar with the secret information about Iran's experiments, sources at the Foreign and Commonwealth Office said. Although the British do not have their own independent evidence that Iran had successfully tested the explosive component of a nuclear warhead, they said there was no reason to doubt the assessment."

The next day, the *Times* wrote that Lebanon's Hezbollah has 40,000 missiles and that the Israeli Northern Commander, Gen. Alon Friedman, said that the Lebanese-Israeli border could "explode at any minute." This story created concern in the region that Israel could strike out at Lebanon.

While the *Times* has a reputation of serving as a leak sheet for Israeli intelligence, *Ha'aretz* military correspondent Amos Harel gives a little background on the genesis of these articles. He points out that the *Times'* foreign news editor, Richard Beeston, was in Israel last week, and that his "Western source" was the Israeli head of Military Intelligence Research, Brig. Gen. Yossi Baidatz, who gave a briefing in the Knesset saying the same thing. The second story was unusual, because it is very rare for Israeli commanders to grant interviews to foreign journalists. Harel concludes that the stories are part of an ongoing campaign by Israeli military intelligence to make clear that it has the capability and will to attack Iran.

Beeston's resumé demonstrates that this is an Anglo-Israeli operation, not just some leak given to the *Times*. He is one of the most senior correspondents in Britain, who cut his teeth in 1956 when he worked at MI6's clandestine Arabic-language radio station on Cyprus during the Suez Crisis. He worked for the *Daily Telegraph* between 1961 and 1986, covering hot spots such as the Belgian Congo crisis, and various Middle East crises and wars.

DNI Responds to Congressional Query on Iran Nuclear Program

Aug. 7 (EIRNS)—The U.S. Director of National Intelligence, Adm. Dennis Blair, has submitted written answers to questions from the Senate Select Committee on Intelligence, regarding Iran's pursuit of a nuclear weapon, and some of his answers have been recently declassified. According to Blair, Iran could "technically" produce enough highly enriched uranium (HEU) in the 2010-15 time frame, but there is no evidence "that Iran has yet made the decision to produce highly enriched uranium, and INR [State Department Intelligence and Research Bureau] assesses that Iran is unlikely to make such a decision for a least as long as international scrutiny and pressure persist."

While Blair noted that Iran had made significant technical progress in 2007 and 2008, in producing low-enriched uranium at their Natanz facility, he added that "Iran probably would use military-run covert facilities, rather than declared nuclear sites, to produce HEU. Outfitting a covert enrichment infrastructure could take years." This latest assessment underscores that there is both time and motive for conducting direct diplomatic negotiations with Iran on the nuclear issue and a wide array of other issues.

Asia News Digest

Kilcullen: U.S. Will Be in Afghanistan Two More Years

China as the British Empire's New Germany

Doubled Life Span in Xinjiang—Cultural Deprivation?

Kilcullen: U.S. Will Be in Afghanistan Two More Years

Aug. 8 (EIRNS)—David Kilcullen, an Australian Army reservist and top advisor to Gen. David H. Petraeus during the troop surge in Iraq, told an audience at the U.S. Institute of Peace in Washington on Aug. 7, that the United States will see about two more years of heavy fighting in Afghanistan and then either hand off to a much improved Afghan fighting force, or "lose and go home." Kilcullen will shortly assume the role as a senior advisor to Gen. Stanley McChrystal.

McChrystal is preparing a report which is expected to recommend changes in the way the United States and NATO organize and manage the war. Ahead of those recommendations, the Pentagon has set up a new command center, an ultra-secure war room where people from a mix of services and disciplines are supposed to quickly process information and bulldoze some of the Pentagon's legendary bureaucracy. Responding to the new war strategy waiting in the wings, Kilcullen said Obama's counterterrorism mandate isn't "at the top of my list." His top reasons: The United States and NATO have promised protection to the Afghan people; the future of the NATO military alliance could hinge on perseverance in Afghanistan; and if Afghanistan crumbles, nuclear-armed Pakistan would probably follow.

China as the British Empire's New Germany

Aug. 3 (EIRNS)—World War I had its roots in the late 19th Century, as Britain's Edward, Prince of Wales, organized an anti-Germany coalition in Europe to reverse the America System industrial policy being successfully followed in Germany and elsewhere in the world. Now, British imperial strategist Niall Ferguson is promoting a replay: "Imagine a rerun of the Anglo-German antagonism of the early 1900s, with America in the role of Britain and China in the role of imperial Germany," said Ferguson in a July 27 interview with the *New Perspectives Quarterly*. "It captures the fact that a high level

of economic integration does not necessarily prevent the growth of strategic rivalry and ultimately conflict."

Ferguson is an unabashed defender of the Empire. Formerly at Oxford, and now at Harvard, he is the author of *Empire: How Britain Made the Modern World*, which claims that the British Empire was a boon to mankind. His latest book is *The Ascent of Money: A Financial History of the World*, which was turned into a TV series for the Public Broadcasting System.

In his endgame scenario, Ferguson lays out a strategy for busting up the four-power alliance (U.S.-China-Russia-India) that Lyndon LaRouche has identified as essential to defeat the British Empire today. "The end of [the China-America relationship] is causing India and the United States to become more closely aligned. It's creating an opportunity for Moscow to forge closer links to Beijing." Remind you of Edward?

Just three days before Ferguson's interview, the same formulation appeared in a July 29 *Asia Times* article, "Wilhelmine China?" by Sebastian Bruck. Bruck recently completed his Ph.D. at the School of Oriental and African Studies, University of London, and works for a major international strategic consulting company, according to *Asia Times*.

Doubled Life Span in Xinjiang—Cultural Deprivation?

Aug. 8 (EIRNS)—The average life span in northwest China's Xinjiang Uighur Autonomous Region has more than doubled in the past 60 years, a regional health official said yesterday. In 1949, when the People's Republic of China was founded, average life expectancy there was 31 years. Today it is 71 years, said Memet Yasin, head of the regional health bureau.

Rebiya Kadeer, leader of the separatist World Uighur Congress, is known for statements such as, on a recent visit to Japan, "I came here to let the Japanese people know the terrible conditions that the Uighurs are suffering."

The Dalai Lama constantly makes similar statements about Tibet and the supposed loss of cultural identity, while ignoring all the improvements in health care, nutrition, clean water, education, etc., that have increased the life span of the average Tibetan.

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