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Imagine You Wake Up ... and The Global Financial System Is Gone!

by Helga Zepp-LaRouche

That is just what could happen, since neither the U.S. Senate, nor the German Bundestag, nor the G20 countries, have yet done anything to prevent it. On the contrary: The financial reform bill just passed by the U.S. Senate, which left the fattest loopholes for speculators, has increased the instability enormously. And the Bundestag's rubber-stamping of the EU750 billion ``rescue package" for Greece has accelerated the dynamic of disintegration of the global financial system—whether by a chain-reaction domino effect, or by global hyperinflation.

A taste of what could happen at any time, on a much larger scale, was shown by the collapse of the Dow Jones on May 6, when it fell by 10% in 16 minutes, wiping out \$700 billion, with the automatic trading systems apparently on autopilot. The quick and partial rebound that occurred then, might not happen the next time, and the whole world financial system could actually disintegrate overnight. All it would take is another grave mistake, somewhere on the globe, and the world could plunge into chaos. Only hours after the Senate passed the version of the financial reform bill demanded by the White House and top executives of Wall Street, a *Newsweek* blog compared the law to a doughnut, with a huge hole in the middle, ``that is so critical to the success or failure of the bill that it becomes the legislation's defining characteristic"!...

In-Depth articles from EIR, Vol. 37, No. 21

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This Week's Cover

- **Imagine You Wake Up ...**
and the Global Financial System Is Gone!

By Helga Zepp-LaRouche.

The financial 'reform bill' just passed by the U.S. Senate, with its milewide loopholes for speculators, along with the lack of any effective action by the G20 or the German parliament, could lead, any day now, to a complete disintegration of the world economy. But, if Lyndon LaRouche's proposal for a Global GlassSteagall were enacted now, it would still be possible to step back from the abyss.

- **Chancellor Merkel Breaks the Mold**
- **Italian/Euro Lawmakers Back Glass-Steagall**
- **LPAC Video:**

The Case for Impeachment of President Barack Obama

The LaRouche Political Action Committee reissued its call for the impeachment of President Barack Obama on May 22, in the form of a video outlining the bill of indictment. The transcript is presented here.

- **Documentation:**

Statements on the financial reform bill and Glass-Steagall, by Senators Maria Cantwell, Russell Feingold, Ted Kaufman, and Tom Harkin.

Feature

- [What Your Accountant Never Understood:
The Secret Economy
by Lyndon H. LaRouche, Jr.](#)

Although a relatively few U.S. economists have understood certain essentials of 'the how and why' of LaRouche's uniquely successful record in economic forecasting, most others have not. The root of their failure, is that they worship the 'magic of the marketplace,' and money as such. Therefore, the relevant question is: What is the secret?

World News

- [Treasonous Banking Cartel Ordered Glass-Steagall Repeal](#)

The death of the Glass-Steagall regulatory safeguard in 1999 was a disaster for the the world. Freed from the prohibition against mixing commercial banking and investment banking, the largest U.S. banks became the personification of greed; and that greed, unchecked by regulatory safeguards, destroyed our economy.

- [Why the British Prefer Fascism in Thailand](#)
- [Behind the UN Sanctions on Iran:
Obama's Support for Anglo-Israeli Threat](#)

National

- [Mass Strike Lashes Out;
Obama's Incumbents Trowned](#)

The mass strike upsurge that began last August reached a crescendo in the May 18 primary elections, as incumbents went down in state after state. This was not, as the purveyors of punditry would have us believe, a blind rage against 'Washington,' but, a deep sense of outrage and betrayal at what the Obama Administration and its Congressional allies have done to destroy this country.

- [Issa Demands Answers: Targets Wall Street, Obama, and ShoreBank](#)
- [National News](#)

Editorial

- [Glass-Steagall, or Else!](#)

This Week's News

U.S. Economic/Financial News

[Obama's Deficit Commission Dominated by Peter Peterson](#)

Huge Rally Against New Jersey Budget Cuts

Obama's Deficit Commission Dominated by Peter Peterson

May 22 (EIRNS)—Two former advisors to President Obama on Social Security matters have exposed the fact that Obama's deficit reduction commission is targeting Social Security for massive reduction, if not elimination, and is dominated by the fascist billionaire Peter Peterson. An article in the *Neiman Watchdog*, Harvard's journalism review, notes that Obama and Congress have "delegated enormous, unaccountable authority to 18 unrepresentative, inordinately wealthy individuals," who meet regularly behind closed doors, and who will present a plan for budget-slashing to the post-election lame-duck Congress which will then fast-track it through, without proper legislative consideration or hearings.

The two authors, Nancy Altman and Eric Kingon, suggest a number of questions that reporters ought to be asking about the commission, including:

- * Why is the commission working so closely with Peterson, who has a clear political agenda?
- * Why the urgent focus on Social Security, when hardly anyone is able to make a strong case that the program is in trouble?
- * Have the commission members actually already made up their minds, making the exercise an effort by elected officials to avoid political accountability?

Jane Hamsher, the founder of firedoglake.com, wrote on May 21, in an article on *Huffington Post*, that there's no doubt the commission intends to use the budget deficit to justify cuts in Social Security. "It's going to be important to tell the tale of Peterson's inexorable march and defuse the notion that the Commission is simply responding to temporal economic factors," she writes. "This is class war, pure and simple. The rich against the poor. Hedge fund billionaires and defense contractors against senior citizens struggling to get by."

Huge Rally Against New Jersey Budget Cuts

May 23 (EIRNS)—Between 30,000 and 35,000 New Jerseyans rallied in the capital city of Trenton on Saturday, May 22, protesting against deep budget cuts being planned in education, programs for the poor and elderly, and public service generally. According to AP, the demonstration is one of the largest ever to occur in state history—as befits the fact that the mass strike ferment is deepening around the United States.

NorthJersey.com reported that the crowd, dominated by unionists, especially teachers, was issuing a warning not only to Gov. Chris Christie (R), but to the Democratic legislators who might be inclined to support his proposals.

"I don't know how you can save New Jersey by shutting down our firefighters, police, and teachers," said Zein Maya, a West Orange resident and Newark firefighter. "It is the beginning of a new political movement in this state, one that stands in opposition to the kinds of cruel and unnecessary cuts that are devastating New Jersey," said Chris Shelton, a vice-president with the CWA. "One that says to all elected officials—if you want our support, you have to earn it."

Among the cuts that Christie is proposing in the budget to be ratified by June 30 are: reducing the free lunch program for poor children; demanding state workers pay 1.5% of their health insurance; and eliminating the Homestead Rebate for senior and disabled tenants (which allows them to afford high rents).

Global Economic News

Banco Santander CEO: 20% Unemployment? Great! Let's Go for More!

British Government Could Face a 'Papandreou Moment'

Austria and Belgium May Follow Germany Soon, in Banning Short Sales

Banks Dumping Greek Debt Quicker than the ECB Can Buy It

Banco Santander CEO: 20% Unemployment? Great! Let's Go for More!

May 17 (EIRNS)—Alfredo Saenz, Deputy Vice-Chairman and CEO of London's enforcer in Spain, the Inter-Alpha Group's Banco Santander, last week endorsed Spain's 20% unemployment as a sign that Spain's economy is becoming more "productive." One-fifth of Spain's labor force is officially out of work, which he declares to be proof that "the private sector is at the helm of austerity measures ... and this is good"; it eliminated "garbage jobs," and that increases productivity. Now the public sector must follow suit, he ordered.

Saenz was addressing a conference at the ESADE business school, a free market bastion, on May 12, shortly after Spanish Prime Minister José Luis Rodríguez Zapatero had gone, head bowed, before the Parliament to announce that the European bailout of Greece by other EU countries required that the living standards of 5 million pensioners, 2.8 million public sector workers, hundreds of thousands of elderly requiring assistance, and of 400,000 new parents in Spain be cut, along with EU6 billion of government investment in public projects.

It is common knowledge in Spain that Saenz's boss, Santander head and London agent Emilio Botin, had been hounding Zapatero for months to adopt these measures, as part of the City of London-directed blackmail operations against Spain. Saenz endorsed those cuts in living standards as "essential" and "inevitable," during his speech to ESADE on the subject of "Necessary Austerity Measures in the Economy and the Financial System: The Case of Spain." The CEO of Spain's largest bank then lectured Spaniards to stop blaming the financial markets for the crisis; their role "is not that of a speculator, instead they are giving us money."

On May 17, Zapatero buckled again, promising in a press conference that his government will next move to rip up labor rights (impose "structural labor reforms"), something he had resisted until now.

British Government Could Face a 'Papandreou Moment'

May 18 (EIRNS)—The new government in Great Britain is preparing for a possible "Papandreou moment," now that they are looking at the national accounts they have inherited from the previous Labour government. Like Papandreou, they fear that the previous government has covered up gaping holes in the budget and huge debts.

The new Chancellor of the Exchequer, George Osborne, has ordered a "forensic" audit of the country's finances by the newly created Office for Budget Responsibility headed by Sir Allan Budd. The review will not only look at the official debt, but also the billions of government liabilities in Private Finance Initiatives which the previous Labour government kept off the books. According to figures from the Institute for Fiscal Studies, calculated for the *Guardian*, public debt could double from £890 billion to £1,790 billion, taking into account some of the PFIs and pension liabilities. But the

figure would triple if the bailout of the banks is taken into account, which would add another £1 trillion.

Austria and Belgium May Follow Germany Soon, in Banning Short Sales

May 21 (EIRNS)—European policy chaos was evidenced once again by the stonewalling which Germany's Finance Minister Wolfgang Schäuble ran up against in Brussels, when presenting his nine-point financial reform plan, which apparently was rejected mainly because it was a proposal coming from a country that has unilaterally decreed a ban on short sales of securities. But that will likely enrage the Germans even more, so that more of such unilateral decisions are possible and likely.

The German ban on short sales will, however, most likely be joined by similar steps of the governments of Austria and Belgium, and maybe also by the Netherlands. Some insiders have been assessing these developments as first signs of a kind of "d-mark bloc" forming inside the eroding system of the euro, since these are countries that earlier grouped around Germany, when its currency was the deutschemark. The Czech Republic and Switzerland are said to orient in the same direction.

Meanwhile, rebellious momentum is building up in Germany also, in reaction to the scandalous majority vote in the Bundestag, the national parliament, today, in favor of the EU's bailout fund of EU750 billion. First of all, Chancellor Angela Merkel's government coalition lost 20 votes from their own ranks, which normally count 322 votes in the Bundestag, so that only with some votes from the opposition Greens, could the required minimum majority of 312 be exceeded by meager 7 votes, thereby passing the bailout with 319 votes. That vote has already prompted two legal complaints at the Constitutional Court: one by Christian Social Union Bundestag member Peter Gauweiler, the other by Prof. Joachim Starbatty—both of whom were plaintiffs in the lawsuit against the Lisbon Treaty a year ago.

Banks Dumping Greek Debt Quicker than the ECB Can Buy It

May 18 (EIRNS)—The trillion-dollar bailout of the banks by the European Union and the European Central Bank has begun. Yesterday the ECB bought EU16.5 billion worth of Greek, Portuguese, Spanish, and Irish state debt—not from the states, however, but from the banks which have been dumping old debt that has not yet matured. Today, the ECB will buy another EU20 billion worth.

The banks are taking full advantage of this latest giveaway. City of London mouthpiece Ambrose Evans-Pritchard, writing in today's *Daily Telegraph*, quotes one banking source as saying, that there has been a "sharp acceleration" of banks dumping their debt as soon as the ECB started buying. "It rather suggests that investors leaped at the opportunity to clear their balance sheets.... This leaves the ECB itself in an unpleasant situation, since it now faces a deterioration in its own balance sheet."

Greece is to receive its first payment of EU14.5 billion from the EU110 billion EU-IMF bailout package, but as soon as it is transferred to the Greek Central Bank, it will immediately be deployed to pay off EU8.5 billion worth of bonds which expire tomorrow. Another EU9 billion will be transferred in September, and another EU9 billion in December, which will go through the same revolving door, directly to the banks. Meanwhile, the EU and IMF will be auditing Greece's accounts every month to ensure that the mandated cuts in the budget are made. These cuts will reduce the living standards of most Greeks by 20%; the EU-IMF loans are not being made at reduced rates. According to IMF supremo Dominique Strauss-Kahn, the destruction of Greek living standards will make Greece more "competitive."

The country's two largest trade union federations, the public sector union ADEDY and private sector GSEE, will hold a 24-hour general strike on May 20. The Greek Lawyers Association announced that it would join the strike.

United States News Digest

Rally Against New Jersey Budget Cuts Is One of the Largest Ever

Obama Hand Seen in DOJ End OF Criminal Probe of AIG

Obama Appoints British Agent To Run BP Oil Spill Investigation

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NorthJersey.com reported that the crowd, dominated by unionists, especially teachers, was issuing a warning not only to Gov. Chris Christie (R), but to the Democratic legislators who might be inclined to support his proposals.

"I don't know how you can save New Jersey by shutting down our firefighters, police, and teachers," said Zein Maya, a West Orange resident and Newark firefighter. "It is the beginning of a new political movement in this state, one that stands in opposition to the kinds of cruel and unnecessary cuts that are devastating New Jersey, said Chris Shelton, a vice president of the Communications Workers of America. "One that says to all elected officials—if you want our support, you have to earn it."

Among the cuts Christie is proposing in the budget to be ratified by June 30 are: reducing the free-lunch program for poor children; demanding state workers pay 1.5% of their health insurance; and eliminating the Homestead Rebate for senior and disabled tenants (which allows them to afford higher rents).

Demonstrators were not loathe to point out that the governor, who could accurately be described as obese, might take his own cuts. They also excoriated him for vetoing a special tax on millionaires, just last week.

Obama Hand Seen in DOJ End OF Criminal Probe of AIG

May 23 (EIRNS)—Responding to news that the Justice Department has dropped its criminal probe of two AIG executives, Lyndon LaRouche commented today that extraordinary pressure must have been exerted on the Attorney General for him to have taken such a step, and that it was undoubtedly President Obama himself, along with his sidekick, Treasury Secretary Timothy Geithner, who put the screws on the DOJ.

After all, when Obama held his press conference to crow about the passage of the cloture motion on the "finance reform" May 20, he led off by saying, "Our goal is not to punish the banks...."

The Justice Department probe had focussed on Joseph Cassano, the chief executive of AIG's London-based financial products unit, and his deputy, Andrew Forster. The case against them has now been dropped, without charges having been filed, although the Securities and Exchange Commission (SEC) could still file a civil fraud lawsuit against them for securities violations.

The FBI and other government agencies had been investigating whether Cassano and his deputy knowingly misled investors about AIG's accounting losses on its credit default swaps portfolio. In December 2007, Cassano told investors that the company's obligations on its mortgage-backed securities were unlikely to produce losses. In the year that followed, AIG took write-downs of more than \$40 billion on the swaps, and was forced to put up billions more in collateral to counterparties like Goldman Sachs.

The New York Federal Reserve, together with the U.S. Treasury, ultimately bailed out AIG to the tune of \$180 billion.

Obama Appoints British Agent To Run BP Oil Spill Investigation

May 22 (EIRNS)—Thanks to British agent President Obama, Prince Philip will have a direct hand in the investigation of the British Petroleum Gulf of Mexico oil spill disaster. Obama announced, this morning, that he had appointed a bipartisan panel to look into that mess, to be co-chaired by former Sen. Bob Graham (D-Fla.) and former EPA Administrator (1989-93) William K. Reilly. Reilly has a decades-long association with Prince Philip's World Wildlife Fund, going back to 1985, when he became its president, a position he resumed after leaving the EPA in 1993. Reilly's career began much earlier, however, in 1970, under the tutelage of Russell Train, the anti-economic development environmentalist and Wall Street banker.

As *EIR* documented in 2007 (see "Carbon Controls' Aim: Back to the Dark Ages," by Marcia Merry Baker, March 9, 2007), Reilly became president of the Conservation Foundation in the 1970s, which had been set up in the U.S. in 1948 by European oligarchs who had to shut down their Conservation Society in Europe because Hitler had given a bad name to their eugenics goals. Card-carrying Nazi Prince Bernhard of the Netherlands had been a key figure in the Conservation Society; he then went on, with Prince Philip, to found the World Wildlife Fund in 1961. Reilly became president of the WWF when the two organizations merged in 1985. As head of the EPA, Reilly accompanied Philip's other pet genocidalist, Al Gore, to the Rio Earth Summit in 1992. In 2002, Reilly became one of 20 members of the newly formed National Commission on Energy Policy, which is a leading promoter of the biofuels and carbon trading swindles. Reilly remains a director emeritus of the WWF.

It's perfectly lawful, in fact, that a top WWF official would be in charge of investigating (or, more likely, covering up) the oil spill. The WWF *is* the oil industry. When Philip became head of the WWF in 1981, he replaced John Loudon, the former head of Royal Dutch Shell, another oil company that, like BP, has deep roots in the British Empire.

Ibero-American News Digest

[London's Brazil Bubble Is Popping](#)

[Without LaRouche's Program, Haiti Condemned to Genocide](#)

[LaRouche: Argentina's Natural Wealth Can Benefit All Mankind](#)

[Argentina To Double Food Production by 2016](#)

London's Brazil Bubble Is Popping

May 21 (EIRNS)—Just as Lyndon LaRouche warned, the fraud of the great Brazilian economic "boom" is going down the

tubes, with the general global "unwinding" of the carry trade which sustained it. (Australia, another carry trade favorite, is also being hit). The Brazilian corporate bond market collapsed to zero three weeks ago, and no bonds have been offered since, according to a Bloomberg wire today, because investors are demanding more than companies wish to pay. The cost of credit default swaps on Brazilian debt is climbing, and the government sold only 19% of the fixed-rate bonds they put up for sale yesterday. \$1.64 billion in foreign money has pulled out of Brazil's stock exchange so far in 2010, with more than half of that—\$960 million—leaving since May 1.

Even as he lies about Brazil being "decoupled" from the international crisis because of its foreign exchange reserves and (debt-driven) domestic growth, Brazilian Central Bank chief Henrique Meirelles reported that Brazil's banking system froze up after the Lehman Brothers bankruptcy in September 2008, because 20% of the country's credit comes from "cross-border lending." That is, without the foreign speculative flows, Brazil goes under.

As for Brazil's "reserves cushion" of \$250 billion, Rio de Janeiro's *Monitor Mercantil*, citing the Citizen's Debt Audit group in Brazil, reported on May 17 that those reserves are only a quarter of the \$1 trillion worth of liquid assets which can be converted into dollars and flee the country at a moment's notice.

The good news is, that LaRouche's May 20 "Emergency Call to Shut Down Derivatives and Impose Glass-Steagall" is now circulating in Brazil and the rest of the Portuguese-speaking world.

Without LaRouche's Program, Haiti Condemned to Genocide

May 23 (EIRNS)—The failure to implement the emergency measures proposed by Lyndon LaRouche in the immediate aftermath of Haiti's Jan. 12 earthquake—including use of the U.S. Army Corps of Engineers to relocate 1.5 to 2 million people out of Port-au-Prince—has turned this capital into a death camp.

Moreover, the "development" perspective that the international community has proposed for Haiti is based on slave-labor textile assembly plants—the infamous *maquiladoras* so common in Mexico and Central America—with a minimum wage that doesn't come close to meeting even the barest of necessities. "Experts" say Haitians should only look toward tourism as a desirable national income-generator.

There are *still* 1.5 million people living in tent cities, under the filthiest of conditions, vulnerable to the rapid spread of infectious disease while trying to protect themselves from mudslides and flooding in the rainy season that has begun. According to Haitian doctor Jean William Pape, of the Haitian Group for the Study of Kaposi's Sarcoma and Opportunistic Infections (GHESKIO), the top priority now must be relocating the 1.5 million citizens living in tents to safer housing. This is what LaRouche said *had to be done* in early February!

Dr. Pape warns that failure to do this could result in a "typhoid plague" of incalculable proportions. "The tent situation is an ideal way to transmit diseases, including tuberculosis. The threat of outbreaks remains high unless the government is very quickly able to move people into better housing conditions and where there is no risk of flooding."

The Infectious Disease Special Edition website observed today that distribution of medical and other aid is uneven and often chaotic, given the plethora of competing NGOs and no centralized command center with an overview of the situation.

The World Health Organization (WHO) recently reported that respiratory infections have now replaced trauma or injury as the leading reason for visits to the country's health clinics since the earthquake. The rainy season brings with it increased threats of malaria, dengue, and typhoid carried by mosquitoes. Potable water is virtually nonexistent, and human

excrement runs through the streets—ideal conditions for the spread of disease.

The Red Cross has extended its operations in the country to an unprecedented 12 months—normally it would be three to six in a natural disaster situation. In the capital, the Red Cross is running much of the sewage system, absent functioning government ministries or other agencies that should take responsibility for this.

LaRouche: Argentina's Natural Wealth Can Benefit All Mankind

May 23 (EIRNS)—As Argentina enters its third century as a sovereign nation—it is currently celebrating the bicentennial anniversary of its founding on May 25, 1810—Lyndon LaRouche noted today that this nation is one that is rich in a variety of natural resources, much as Russia is. And, he pointed out, as is also true in Russia's case, this wealth can be used not only for domestic industrial development, but for the benefit of all mankind, provided Argentina commits itself to dumping the axioms of the currently moribund imperial monetarist system and embraces the principles of a physical economic system to guarantee its—and the world's—long-term development.

At a site built especially for the Bicentennial, along Buenos Aires's famous 9th of July Avenue, the LaRouche Youth Movement is distributing a leaflet to the tens of thousands of citizens participating in the celebration. Delegations from Chile, Bolivia, Uruguay, Paraguay, and Brazil are also present, at the invitation of the Fernández de Kirchner government.

Entitled, "Argentina at the Tricentennial: Forging a World of Sovereign Nation-States," the leaflet calls on "all patriots at the tricentennial which is just beginning, to defend the Republic and promote the necessary changes that will allow humanity to emerge from this great world economic crisis. The future is in our hands, if we succeed in tossing out the current monetarist axioms and concentrate on increasing the productive power of labor."

"We need large-scale and high-tech infrastructure development capable of integrating our planet in a physical-economic sense, as sovereign nations that cooperate toward a single goal of the general welfare," the leaflet states. "This is immediately feasible through a credit system, such as Hamilton's American System, rather than a monetary system as we now have. We can do this. Put people back to work!"

In 1810, when every Spanish colonial government declared their independence, after Napoleon Bonaparte overthrew the Spanish King Fernando VII, there was enormous sympathy for the American System of political economy throughout the entire region—from Mexico in the North down to Argentina in the South. Even before 1810, there were contacts between governments, or political factions in each country, and the United States, and U.S. delegations frequently traveled to Central and South America to encourage the nascent pro-American sentiment.

It was this connection that the British Empire sought to destroy, vowing never to allow another sovereign republic like the United States to come into being in the New World. The Hapsburg presence abetted the British goal. Hence the LYM's challenge to Argentines to ensure that its tricentennial celebration, 100 years from now, will see "a world of sovereign nation-states," liberated from the British Empire. "We will do this," the leaflet states, "in defense of the universal principles of right to life, liberty and the pursuit of happiness, found in the Constitution of the first sovereign republic in history."

Argentina To Double Food Production by 2016

May 16 (EIRNS)—Argentine President Cristina Fernández de Kirchner on May 14 presented her government's 2010-16 Strategic Agricultural Plan, one of whose goals is to double food production by 2016, with 148 million tons of grains.

This echoes the call made by Helga Zepp-LaRouche in May 2008, in the midst of a global food crisis.

The announced plan proposes to increase land under cultivation by 20%, along with a "relative reduction" in soybean production, which under the control of such predatory food cartels as Cargill has expanded enormously in Argentina in recent years—to the detriment of more traditional food crops.

The 2010-16 plan focusses on food sovereignty, and the role of the state in guaranteeing that no one in Argentina goes hungry.

Western European News Digest

Papandreou: Greece May Sue Wall Street Bankers

Iceland Frog Marching Banksters to Jail

Thousands Protest Cuts in Greece and Spain

Resistance Building in Portugal

Italy: Major Media Covers Glass-Steagall Fight

Former German Supreme Judge Condemns EU Super-Bailout

Papandreou: Greece May Sue Wall Street Bankers

May 17 (EIRNS)—Greek Prime Minister George Papandreou, in an interview with CNN's Fareed Zakaria today, said Greece is considering taking legal action against U.S. investment banks for their role in creating the Greek financial blowout.

Papandreou said: "There are similar investigations going on in other countries and in the United States.... I hear the words fraud and lack of transparency. So yes, there is great responsibility here."

Asked about possible legal action, he said: "I wouldn't rule out that this may be a recourse also ... but we need to let the due process proceed and make our judgments once we get the results from the investigation"—referring to an ongoing Greek parliamentary investigation.

Although Papandreou did not name any names, Goldman Sachs has been widely reported as involved in swindling Greece, by setting up phony derivatives to conceal the country's actual indebtedness.

Iceland Frog Marching Banksters to Jail

May 17 (EIRNS)—Over the past week, a number of former top executives of Kaupthing Bank—one of the three of Iceland's biggest banks, which failed in 2008, were arrested. Former officials and owners of a second bank, Glitnir, face a \$2 billion (EU1.6 billion) lawsuit. And an investigation into the third, Landsbanki, is a priority.

The executives are regarded as liable for conducting fraud and robbing the banks "from the inside."

This "throw the bums in jail" approach is a global object lesson, in contrast to the "tut-tut" approach to Wall Street/London, by President Obama, and Senators Reid and Dodd.

"We had to start somewhere and Kaupthing was the biggest bank," said Eva Joly, who last year was appointed by the Icelandic government as a special advisor to the investigation into the financial meltdown. The probe, she said, will be widened to include Landsbanki. "What I'm saying is that everything will be investigated," she said.

Thousands Protest Cuts in Greece and Spain

May 20 (EIRNS)—Thousands of protesters took to the streets in Greece and Spain, protesting European Union-mandated, brutal cuts in wages and pensions. In Greece over 2 million workers went on general strike, while tens of thousands marched in the streets of Athens.

A 24-hour general strike by the civil service union federation ADEDY and the private sector union federation CSEE, closed schools, halted ferries and trains, and left hospitals running on emergency staff. This is the fourth general strike by the union in the last three months. They are protesting the deep pension cuts that will be imposed by the government. The Communist Party's PAME labor federation also staged a strike on the same day. The Greek lawyers' association also joined the strike action and demonstrations.

Thousands of protesters in front of the Parliament shouted, "Come out, you thieves!" Thousands also gathered in other cities, including 20,000 in Greece's second-largest city, Thessaloniki.

In Spain, unions were holding demonstrations in Madrid. The country's second largest union, UGT, which was already planning a public sector strike on June 8, said it was contesting the legality of a 5% wage cut for public sector workers, which is at the center of plans for budget reductions of EU15 billion announced last week. The wage cuts will go into effect in June. "We are going to challenge the royal decree on wage cuts," Julio Lacuerda, a UGT representative, told a news conference after meeting with government officials to receive details of the pay reductions. "This is a complete mockery of our legal right to bargain," added Enrique Foussoul of Comisiones Obreras (CCOO), Spain's largest union.

Resistance Building in Portugal

May 22 (EIRNS)—After capitulating to the European bankers' dictatorship, Portugal's Socialist government survived a no-confidence vote through the treacherous abstention of the conservative opposition party, the PSD, in the parliament. Nonetheless the, 31 deputies of the Communist Party and other leftists in the 230-seat Parliament voted for the ouster of Prime Minister José Socrates.

CP general-secretary Jeronimo de Sousa used strong words in the debate, denouncing the government for sacrificing the nation's sovereignty to the EU bureaucracy, to become eligible for money from the new EU super-bailout fund. This was in direct response to Socrates' charging the critics of his pro-EU austerity policy of being "profoundly irresponsible," and of "missing a sovereign opportunity to consolidate economic and political stability." De Sousa shot back: "If there is any irresponsibility, it is by those who led the country to stagnation and crisis via the destruction of national production."

Critics of the government also attacked ECB president Jean-Claude Trichet for his interference in the debate: Trichet posted a letter he had sent to Portuguese MEP Paulo Rangel, a member of the PSD party, to the ECB website yesterday, in which he demanded that Portugal do more to "consolidate" its budget deficit. "As regards Portugal," Trichet wrote, "the

challenges for this country are related to the very urgent need of implementing effective and convincing fiscal consolidation."

Italy: Major Media Covers Glass-Steagall Fight

May 18 (EIRNS)—*Corriere della Sera*, Italy's largest daily newspaper, published an article by economics editor Massimo Mucchetti on May 17, endorsing the amendment introduced by Senators Cantwell and McCain to re-establish the Glass-Steagall separation of commercial and investment banking, and calling for its emulation in Europe.

Mucchetti's article was picked up by the daily *Il Giornale*, whose editors, however, expressed pessimism about the outcome of the battle in the U.S. Senate.

Former German Supreme Judge Condemns EU Super-Bailout

May 20 (EIRNS)—In an op-ed in *Wiesbadener Kurier* on May 20, headlined "Without Democratic Legitimacy," Hans-Joachim Jentsch (CDU), a former judge on the Constitutional Court (1996-2005), attacks the super-bailout and its planned parliamentary passage tomorrow, as "opening the flood-gates, which we will not be able to shut again," and an open violation of the EU's no-bailout clause. And, worst of all, it is a usurpation of power by the EU institutions at the expense of national sovereignty—as the Lisbon Treaty ruling of the Constitutional Court has pointed out very clearly. "What is being done with the justification of the European stability mechanism, is nothing other than the transfer of sovereignty from the nation-states to the European Union, in bypassing of the European treaties, which means in a cold coup."

Jentsch, in particular, attacks EU Commission President José Manuel Barroso for his statement that "the euro will be defended, no matter what the price is," calling it an "open disregard of existing treaties and of democratic legitimacy. That is irresponsible."

Norbert Lammert, president of the Bundestag, who complained about the haste with which the deliberations on the German contribution to the EU financial umbrella are being conducted in the Bundestag, in an interview with *Kölner Stadtanzeiger*, stated that "the narrow timing" would have to be examined "self-critically." The government, which has to negotiate and act in such situations, could not put into effect the agreements, which have to be decided upon, if the Bundestag does not cooperate. In the case of the rescue package for Greece, the Bundestag did "recognizably" insist on corrections in the form of precise conditions and supplements, which he (Lammert) had demanded as a precondition for his vote.

Southwest Asia News Digest

Israel Offered Nuclear-Tipped Missiles to South Africa

France Releases Assassin of Former Iranian Prime Minister Bakhtiar

Obama Reportedly Starts Massive U.S. Build-Up Opposite Iran

Israel Offered Nuclear-Tipped Missiles to South Africa

May 24 (EIRNS)—Official South African documents from the 1970s have surfaced revealing Israel's offer to sell what was then the Apartheid regime of South Africa, nuclear-tipped Jericho missiles, with a range of up to 6,000 kilometers. The

revelations mock Israel's claim that unlike the "insane" Iranians, they would act "responsibly" with respect to nuclear proliferation. The documents show Israel as one of the worst proliferators of weapons of mass destruction, including chemical and nuclear weapons, and missile technology

The documents, which are available on the website of the British *Guardian* newspaper, were released to American academic Sasha Polakow-Suransky, who has just finished a book entitled, *The Unspoken Alliance: Israel's secret alliance with apartheid South Africa*. The documents date back to 1975 when Shimon Peres, who is now President of Israel, was defense minister.

The first meeting between Israeli and South African military officials, including South African Chief of Staff Gen. R.F. Armstrong, took place on March 31, 1975. The South African minutes of the meeting stated, "in considering the merits of a weapon system such as the one being offered, certain assumptions have been made: a) That the missiles will be armed with nuclear warheads manufactured in Republic of South Africa or acquired elsewhere." Then two months later, on June 4, 1977, Peres met with South African Minister of Defense P.W. Botha in Zurich to discuss the Jericho project, then code-named Chalet. The minutes of the meeting read, "Minister Botha expressed interest in a limited number of units of Chalet subject to the correct payload being available. Minister Peres said the correct payload was available in three sizes."

The three sizes referred to conventional, chemical, and nuclear warheads. Since South Africa had at the time the capability to manufacture the first two, it was clear that they were interested in the last, nuclear warheads. Botha apparently did not go ahead with the deal because of the cost. Just prior to the June 4 meeting, Botha and Peres signed a secret military alliance known as Secment, whose very existence was kept secret until now.

South Africa eventually built its own nuclear bombs, which it declared and surrendered after Apartheid was dismantled. South Africa is believed to have provided yellow-cake uranium to Israel for its nuclear weapons program.

One senior South African military source told *EIR* that the South African nuclear bomb was not directed at any African country, but was developed as a means of blackmailing the world powers into supporting South Africa's Apartheid regime. It should also be noted that by the time it acquired nuclear weapons, its biggest international supporter was the government of British Prime Minister Margaret Thatcher.

Israel's nuclear weapons capability could be called the "Sykes-Picot bomb," since it was the result of the alliance among France, Great Britain, and Israel when those three attacked Egypt in the 1956 Suez Crisis—an attack that also targeted President Dwight D. Eisenhower, who stopped the war. Both the Eisenhower and the Kennedy administrations knew that both France and Britain were aiding Israel, and tried to stop it.

France Releases Assassin of Former Iranian Prime Minister Bakhtiar

May 25 (EIRNS)—The French authorities have released Ali Vakili Rad, who in 1994 was convicted of having murdered Shapour Bakhtiar, the last Iranian Prime Minister under the Shah, who had been living in exile in Paris. Bakhtiar was assassinated in Paris in August 1991.

French Interior Minister Brice Horefeux signed the order for Rad's expulsion to Iran, where he will most likely be given a hero's welcome. While Horefeux claimed this was merely an "administrative" decision, it is believed the move was made to secure the release of Clotilde Reiss, a Frenchwoman who has been accused of spying. Reiss, who had been working in Iran as a teacher's assistant, was arrested during last year's post-election protest demonstrations. She has now returned to France.

Obama Reportedly Starts Massive U.S. Build-Up Opposite Iran

May 20 (EIRNS)—The Israeli Mossad leak-sheet, DEBKA—a not-necessarily reliable source—today writes of a U.S. carrier build-up in the Persian Gulf and around Iran. Carrier Strike Group 10, led by the *USS Truman*, has been deployed to the Mediterranean and Persian Gulf, along with 6,000 combatants. It leaves Virginia on May 21, and will join the *USS Dwight D. Eisenhower* in the Arabian Sea. For the first time, the U.S. forces opposite Iran will be joined by a German warship, the frigate *FGS Hessen*, operating under American command. Debka's military sources claim that the *USS Truman* is just the first element of the new build-up around Iran that will take place over the next three months, reaching peak level in late July and early August. By then, the Pentagon plans to have at least 4-5 U.S. aircraft carriers visible from Iranian shores.

According to the article: "The *USS Truman*'s accompanying Strike Group includes Carrier Air Wing Three (Battle Axe)—which has 7 squadrons—4 of F/A-18 Super Hornet and F/A-18 Hornet bomber jets, as well as spy planes and early warning E-2 Hawkeyes that can operate in all weather conditions; the Electronic Attack Squadron 130 for disrupting enemy radar systems; and Squadron 7 of helicopters for anti-submarine combat. (In its big naval exercise last week, Iran exhibited the Velayat 89 long-range missile for striking U.S. aircraft carriers and Israel warships from Iranian submarines.)

Another four U.S. warships will be making their way to the region to join the *USS Truman* and its Strike Group. They are the guided-missile cruiser *USS Normandy* and guided missile destroyers *USS Winston S. Churchill*, *USS Oscar Austin*, and *USS Ross*. DEBKAF's military sources disclose that the 6,000 Marines and sailors aboard the Truman Strike Group come from four months of extensive and thorough training to prepare them for anticipated missions in the Persian Gulf and the Mediterranean."

Asia News Digest

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McChrystal Snubs U.S. Ambassador, Favors British Foreign Office Agent

British Government Wants To Withdraw Troops From Afghanistan

China's Energy Output Grows 10% Even with Shutdown of Inefficient Coal Plants

Report Blaming North Korea for Sinking a South Korean Naval Ship Stinks

May 20 (EIRNS)—The release on May 20 of the final report of an investigation into the sinking of the South Korean Navy ship *Cheonan* on March 26, which killed 46 sailors, "stinks of a set-up of the classic British variety," said Lyndon LaRouche. While the report concluded that "North Korea did it," LaRouche said that "the whole affair doesn't make sense. Someone wanted to set something up—perhaps it's the same people who convinced Obama to go into Afghanistan. People forget that Brzezinski and the British set up the Soviets in Afghanistan, and Afghanistan is *still* a trap for the US. Obama is doing it—like Nero, he's burning Rome now, but what will he do next?"

LaRouche said that until there is more information, no competent conclusion can be drawn. "There may have been a North Korean role," he said, "but what responsible party would do it?" Although the investigating team, from South Korea, the U.S., Australia, Britain, and Sweden, displayed the remains of a torpedo dredged up in the area, which they say matches North Korean design, there are many doubts about the evidence, and the investigators admit that their conclusion is largely based on "ruling out other alternatives."

"Oh, great," responded LaRouche, "just like the Kennedy assassination. My response is: 'What do you know, they got Lee Harvey Oswald again!'"

Russia Tries To Calm Korea Situation

May 22 (EIRNS)—The *Korea Herald* reported May 22 that Russia has called on all parties concerned "to show restraint" in reacting to an investigation that concluded that a North Korean torpedo sank a South Korean warship in March. A spokesperson for the Russian Foreign Ministry on May 20 said Moscow was paying close attention to how the results of the investigation were being reported in Seoul, as well as to the statement made by the North Korean National Defense Committee, which continues to deny the accusation.

Militants Attack Largest U.S./NATO Base in Afghanistan

May 19 (EIRNS)—Giving a taste of what Gen. Stanley McChrystal and the foreign troops are expected to encounter this Summer, 20-30 Afghan militants today entered the largest and most heavily fortified U.S. Air Force base in Afghanistan, Bagram Air Force (BAF) base, about 50 miles north of Kabul. Just 24 hours earlier, militants had exploded a car bomb, claiming the lives of five U.S. soldiers, one Canadian soldier, and 12 civilians. The May 19 attack on BAF, as reported by the Pentagon, resulted in nine NATO soldiers being wounded, one Armenian contractor being killed, and a few suicide bombers blowing themselves up. One building within the compound was badly damaged.

The U.S.-led International Security Assistance Force (ISAF) has been quick to deny the Taliban's claims to have breached the base, which is a hub of NATO operations. "Though it is clear the enemy intended a spectacular event here at BAF, they were unable to breach the perimeter and unable to detonate their suicide vests," military spokesman Lt. Col. Clarence Counts, Jr. noted in a prepared statement on the ISAF website. Bagram press officer Maj. Virginia McCabe also cast doubt on claims that suicide bombers had been involved.

According to analysts, the Taliban are trying to show their reaction to the expected plan of NATO's operation in Kandahar in the coming weeks. Kabul and BAF are the least friendly areas for the Taliban, and yet Taliban were able to recruit within Kabul and to prepare, plan, and execute two such major attacks within a span of 24 hours in the city, and on the most fortified military base in Afghanistan.

McChrystal Snubs U.S. Ambassador, Favors British Foreign Office Agent

May 16 (EIRNS)—"When military officers and diplomats gathered recently in a secure room in the Pentagon on a recent Friday to get a video briefing from the Afghan battlefield, they were startled to see a youthful British diplomat in an open-neck shirt, rather than the familiar face and camouflage fatigues of Gen. Stanley A. McChrystal, the American commander." But Mark Sedwill has increasingly been acting as McChrystal's proxy over recent weeks, the *New York Times* reported today. "The two men travel together every other week to hot spots around Afghanistan. They often team up to visit President Hamid Karzai. And with Gen. McChrystal's support, Mr. Sedwill has turned what had been a low-profile adviser's role into a key civilian leadership post—one in which he vies for visibility with the American Ambassador in Kabul, Karl W. Eikenberry."

Indeed, Eikenberry, a former U.S. Afghan commander who opposed Obama's insane Afghan War buildup, had wanted just that very post, of top NATO civilian head in Afghanistan, but McChrystal vetoed Eikenberry in favor of his British friend Sedwill, the *Washington Post* reported May 9.

If Eikenberry is an American patriot, who is Sedwill? He is a top British imperialist, whose specialty for well over a decade, has been entrapping the dumb American "cousins" into endless wars in Asia. In 1996-97, he was First Secretary of the British Embassy in Baghdad and simultaneously a UN weapons inspector. During 2000-02, as British Prime Minister Tony Blair was luring the George W. Bush Administration into their Iraq War, Sedwill was Private Secretary to British Foreign Secretaries Robin Cook and Jack Straw. He was sent to Afghanistan in 2009 as British Ambassador, and then replaced as Ambassador when he got the job of "NATO's Senior Civilian Representative in Afghanistan" and McChrystal's alter ego, which position he holds today.

British Government Wants To Withdraw Troops From Afghanistan

May 22 (EIRNS)—A delegation of British ministers arrived in Kabul on May 22 with the message that Britain wants to withdraw its troops from Afghanistan as soon as possible. The delegation, consisting of Foreign Secretary William Hague, Defense Secretary Liam Fox, and International Development Secretary Andrew Mitchell, was set to meet with Afghan President Hamid Karzai and evaluate the British position there. Fox told London's *The Times* that the focus of the visit would be the speeding up of the withdrawal of British troops, and that there would be no new troops deployed. He also will be investigating the possibility of speeding up the training of Afghan troops.

Britain will hardly be disengaging from Afghanistan, however. Fox said that he still believed that Britain should have a military presence in Afghanistan. And, on May 15, Karzai was the first foreign leader to meet with David Cameron, after Cameron became Prime Minister.

China's Energy Output Grows 10% Even with Shutdown of Inefficient Coal Plants

May 23 (EIRNS)—Official figures from China's National Energy Administration show that installed electricity generation capacity in China stood at 874 million kilowatts at the end of last year, up 10.23% year on year, and should surpass 900 million kilowatts by the end of 2010.

This is in spite of the shutdown of many smaller, older, mostly coal-generating facilities, which caused a reduction of thermal power generation of 1.45% for the year.

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