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This Week You Need To Know

[The Governments Are Collapsing](#)

The Cities of the Plain

by Lyndon H. LaRouche, Jr.

During the second quarter of 2006, entire chunks of the world became, conspicuously, subjects of an accelerating and spreading pattern of collapse among leading and other governments. The most notable examples include the Blair government of the United Kingdom, the Chirac government of France, and the Bush-Cheney government in the United States. This global calamity is now spreading, most notably, throughout the rest of western and central Europe.

There is no possibility that coincidence in this pattern is merely statistical; the timing and pace of this spreading pattern of current governments which are now in a state of virtual existential crisis, around more and more of the world, is a reflection of the onrushing disintegration of the present form of global monetary-financial system. In other words, these are not as much individual cases as they represent symptoms of a dynamic process of interaction within a global system of self-destruction. This is a process which is typical of the fag-end of the recent decades' drive toward globalization.

Unless that current process is stopped, soon, by a radical change from the presently ongoing system, the presently onrushing wave of collapse would have to be considered as already at the verge of taking over the nations of this planet as a whole. This expresses an economic degeneration of the planet's economy under the influence of post-industrial and related ideology, an ideology which is collapsing the physical-economic "carrying capacity" of the planet. The result is: *unless this recent trend of nearly forty years in "post-industrial" economic policies, is now reversed, the planet as a whole is being plunged, rapidly, into what will become a global "new dark age,"* That is to say: plunged into depths of depression of population-levels and standards of existence which fit the meaning of barbarism....

[...full article, PDF](#)

Latest From The LaRouche Youth Movement

[Rogers Tours Texas To Bring Democrats 'Out of the Bushes, Into the Future'](#)

by Nancy Spannaus

"People are looking for leadership from young people," said Lakesha Rogers, the member of the LaRouche Youth Movement running for Chairman of the Texas State Democratic Party, when reached on the road May 18. "We are getting a very good reception, and people are ready to take action."

Rogers has been on tour for the last two weeks, travelling around eastern and central Texas between Houston, Dallas, San Antonio, Corpus Christi, Tyler, and Austin. She and four of her LYM colleagues are driving a car packed with the

literature that reflects the LYM's nature as a "university on wheels": works of Plato, Alexander Hamilton, Gauss, and LaRouche, and stopping at college campuses in town after town. The response has been very positive.

On the weekend of May 19-20, Rogers will participate in candidates' events in Houston and Austin, which will bring together all four candidates for Party Chair, as well as statewide Congressional and other candidates. However, Rogers is not waiting for formal events, but is taking her campaign for the revival of FDR's approach for economic development, to every constituency group she can find.

Labor Is Key

Rogers has sought in particular to activate the labor constituency, and the response has been a lot of excitement. Exemplary was the May 17 meeting of Amalgamated Transit Union Division 1338 in Dallas, where she was a featured speaker. After a warm introduction by the President of the local, Rogers didn't just describe the incompetence of the Bush Administration, but issued a challenge to the unionists to get involved in politics again. "If you aren't part of the decision-making of the Democratic Party, who *is* going to lead it?" she asked.

During the course of her remarks and the discussion that followed, Rogers reviewed how the Democratic Party has been destroyed by the abandonment of the Roosevelt tradition by the '68ers, who have embraced the post-industrial paradigm shift, and turned their backs on the lower 80% of family income brackets. She urged the union members to support her campaign, and mobilize side-by-side with her to put the country, and the party, on the path toward economic development.

The response, Rogers said, was very strong. One unionist got up and called for a second standing ovation for her, saying that she reminded him of great Texas political leaders who fought for civil rights in politics. He declared that he agreed that the unionists could do a lot more, and volunteered to be her collaborator in Dallas. The positive impact was also reflected in the fact that not only did the 50-60 persons present all take literature, including LaRouche's Prolegomena to a Party Platform, and draft legislation to save the auto industry, but many took bundles of pamphlets to distribute, promising to get them out "everywhere."...

[...full article, PDF](#)

InDepth Coverage

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[THE GOVERNMENTS ARE COLLAPSING](#)

[The Cities of the Plain](#)

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During the second quarter of 2006, entire chunks of the world became, conspicuously, subjects of an accelerating and spreading pattern of collapse among leading and other governments. The most notable examples include the Blair government of the United Kingdom, the Chirac government of France, and the Bush-Cheney government in the United States. This global calamity is now spreading, most notably, throughout the rest of western and central Europe.

Trans-Atlantic Powers in Free-Fall

George W. Bush and Other 'Failed States'

by Jeffrey Steinberg

As Lyndon LaRouche, Vladimir Putin, and Hu Jintao are painfully aware, the world is witnessing a rapid, generalized disintegration of the governing institutions of most of the leading nations of the trans-Atlantic 'Western system.' Each failing state is going through its own unique process of selfdestruction, but the common factor is that all of the governments in free-fall are hysterically clinging to the same set of policy axioms that have already failed.

The Financial Bubbles Are About To Burst

by EIR Staff

In the midst of Weimar-style hyperinflation, which has taken precious and industrial metal prices to all-time highs, occasional short-term dips by profit-taking notwithstanding, the world's financial markets were suddenly hit with a wave of dramatic turbulence during the second week of May. Stock markets in both the industrialized nations and the emerging markets were hit with major sell-offs, at the same time that the prices of the major commodities began to jump around like a yoyo, and bond markets soared.

Blair Joins Bush: The Lamest of Ducks

by Dean Andromidas

British Prime Minister Tony Blair's regime is rushing down the same tube as that of President George W. Bush and his Vice President, Dick Cheney. Tony Blair's lame-duck status was confirmed by the City of London's own mouthpiece, the Economist, whose cover story May 11 was entitled: 'Axis of feeble: A world bestriding partnership is drawing to a close.'

France

Economic Crisis Causes Government Implosion

by Christine Bierre

While all attention in France is focussed on the 'Clearstream affair'—a French 'Watergate' in which Prime Minister Dominique de Villepin and President Jacques Chirac are being accused of having used the fraudulent affair to smear Interior Minister Nicolas Sarkozy and other political enemies—the reason for the collapse of the Fifth Republic is to be found where few are looking: in the economy.

Italy

Will Prodi Take 'Left' Road to Disaster?

by Claudio Celani

On May 17, the newly designated Italian Prime Minister Romano Prodi, swore in his Cabinet ministers and began procedures for a Parliamentary vote, which is scheduled to be over by May 22-23. A lengthy, but normal transition is thus completed. But the new government is born under the worst auspices, those of the infamous 'financial markets' and globalization sharks.

Germany Is No 'Island of Stability'

by Rainer Apel

Many among the German policymaking elites, watching the increasing chaos in France, Britain, and other European countries, have smugly concluded that this will benefit Germany as an 'island of stability.' Many would even go so far as to say, in the wake of Chancellor Angela Merkel's talks with President George W. Bush at the White House, that Germany's rating is much improved now in Washington, D.C., coming close to a 'special relationship.' But were Merkel a leader with real political-economic vision, she would not be tying Germany's boat to a sinking ship like the Bush-Cheney team.

Economics:

THE FDR MODEL FROM 1933

Put Millions to Work Rebuilding the Nation

by Marcia Merry Baker and Edward Spannaus

In November 1933, at the direction of President Franklin Roosevelt, his emergency relief administrator Harry Hopkins established the Civil Works Administration, putting 800,000 people to work within ten days, and almost 2 million to work within two weeks. Over 4 million people were working on CWA projects within nine weeks—the largest peacetime mobilization in U.S. history.

- **History of the Army Corps of Engineers**

The following are excerpts from the 15-chapter 'Brief History' of the U.S. Army Corps of Engineers, posted on its official website, www.hq.usace.army.mil/history/brief.htm.

Report from Ground Zero

Housing Bubble Is 'Dead Man Walking'

by L. Wolfe

According to a very depressed realtor in Loudoun County, Virginia, the Washington, D.C. suburb that was the posterchild for the so-called national housing boom, and now is what Lyndon LaRouche calls 'Ground Zero' for the coming collapse of that bubble, the residential real estate market is a 'dead man walking.' Some people are still buying homes, but not enough to absorb the growing inventory of unsold properties, which, according to the latest figures, is now up by more than 500% over last year. This translates to sharp collapse of prices in the not-distant future.

France's Inland Water Transport: Abolish Short-Term Thinking!

by Karel Vereycken

The following is a programmatic report for the campaign of Jacques Cheminade, 2007 Presidential candidate of the Solidarity and Progress party in France. For more on the campaign, see www.cheminade2007.org.

National:

CORNBALL BROTHERS ON THE HILL

CEOs' Bio-Fuel Comedy Distracts Congress From Auto Crisis Action

by Paul Gallagher

Amid the circulation in Congress of Lyndon LaRouche's proposed emergency retooling legislation to save and use the 50%-unutilized capacity of the U.S. auto industry, the May 18 visit of the 'Big Three' auto CEOs to Capitol Hill was a tragi-comic waste of Congress' time, and a diversion of its attention from needed action on the crisis-collapse of the auto sector.

IAM President to Congress: Save Manufacturing!

International Association of Machinists and Aerospace Workers (IAM) President **Thomas Buffenbarger** told delegates to burn the backsides of Congress, with the message that defending the U.S. industrial base is a matter of national security.

Rogers Tours Texas To Bring Democrats 'Out of the Bushes, Into the Future'

by Nancy Spannaus

'People are looking for leadership from young people,' said Lakesha Rogers, the member of the LaRouche Youth Movement running for Chairman of the Texas State Democratic Party, when reached on the road May 18. 'We are getting a very good reception, and people are ready to take action.'

George Shultz Pushes Next 'Preventive War'

by Michele Steinberg and Roger Moore

The Committee on the Present Danger (CPD), in a new Iran Policy Paper released today, calls for regime change in Iran to be U.S. policy. . . .
—R. James Woolsey and George P. Shultz, co-chairmen, CPD, Jan. 23, 2006

International:

Shanghai Paper Highlights LaRouche on Global Crisis

by William Jones

As the foreign ministers of the Shanghai Cooperation Organization (SCO) convened in that Chinese city on May 15, the Shanghai daily *Wen Hui Bao* highlighted Lyndon LaRouche's warnings about the onrushing economic collapse. Under the title 'He Ran for President Seven Times and Continues To Say Astonishing Things,' the article was based on a two-hour interview that LaRouche conducted with several journalists from the newspaper on April 9.

Rise of Maoists in India: A Side-Effect of Globalization?

by Ramtanu Maitra

In a press release on May 15, an assortment of Maoist guerrillas in India threatened to blow up Bihar's state assembly buildings sometime between May 28 and July 29. No one in New Delhi believes this is an empty threat. It is widely recognized that the Maoists in India have taken control of a huge swath of land, running from the state of Bihar in the north, all the way to the state of Tamil Nadu in the south, encompassing in the process highly underdeveloped areas of Jharkhand, Madhya Pradesh, Chattisgarh, Orissa, and Andhra Pradesh. One common thread that runs through this massive stretch of land is: underdevelopment and poverty.

LaRouche in Berlin: 'We're Marching Down the Road That Leads to Victory'

Here are Lyndon LaRouche's opening remarks to a LaRouche Youth Movement cadre school in Berlin, Germany, on May 13, 2006, followed by a selection of the questions and answers.

Investigation:

ITALIAN EXPERTS INSIST

A Foreign Intelligence Service Killed Aldo Moro

by Claudio Celani

In the small town of Oriolo Romano, on the outskirts of Rome, a conference took place on May 9, entitled 'The Moro Case Among Doubts and Truth, 28 Years Later.' In the words of one of the speakers, the conference was aimed at keeping alive the memory of the 'gravest terrorist act in Italian postwar history,' and preventing 'the game from being called off' on the fight for the truth about the Moro case.

Editorial:

Crisis Requires Emergency Action By Congress

Upon hearing the reports, which circulated broadly over the weekend of May 13-14, that Bush confidante Karl Rove had already been indicted, and that Independent Prosecutor Patrick Fitzgerald was simply giving him time to wrap up his affairs, **Lyndon LaRouche** issued the following statement on May 14...

U.S. Economic/Financial News

Outsourcing of U.S. Auto Parts Industry Is Growing Fast

A study, reported in the *Detroit Free Press* May 15, of the parts content of cars produced in assembly plants in the United

States—and based on reports by car manufacturers to the Commerce Department—found that outsourcing of production of auto parts and supplies is growing rapidly. Here is the breakdown by manufacturer, for 2005, 2000, and 1995; and in each case, showing the percentage of parts used, which was made in the United States or Canada.

General Motors: Percentage of parts (by value) made in U.S. or Canada fell from 91% in 1995, to 87% in 2000, and to 81% in 2005.

Ford: 82% from U.S. or Canada. In 2000, 87%. In 1995, 86%.

Chrysler: Fell from 89% in 1995, to 80% in 2000, and to 76% in 2005.

Honda: Only 68% of parts, by value, from U.S. or Canada in 2005. In 2000, it was 70%. In 1995, it was 47%.

Nissan: Only 57% from U.S. or Canada in 2005. In 2000, it was 58%. In 1995, it was 42%.

Toyota: 75% from U.S. or Canadian sources. In 2000 it was 57%. In 1995 it was 49%.

This is the reason that since 2000, some 31 major U.S.-based auto suppliers have declared bankruptcy, and many more smaller firms. Thirty percent of the U.S.-based auto parts production is now done by foreign-owned firms, uniformly not unionized.

Fannie Mae Economist Warns vs. Mortgage Delinquencies

Former Fannie Mae economist Thomas Lawler warned of increasing delinquency of mortgage payments, the *Wall Street Journal* reported May 18. He said that, "by year's end, you could see a substantial increase in delinquency rates and the loans made in 2005 might experience their biggest problems in 2008." He also identified the 2005 period of mortgage sales as being plagued with a lot of interest-only mortgages and tied to adjustable-rate loans.

Manufacturing Firms Caught in Commodities Price Squeeze

The price squeeze facing manufacturing companies, between rising prices of commodities such as steel and copper, and reluctance to raise prices to corporate customers (both merchandisers and other manufacturers), is examined anecdotally through comments by CEOs at the Reuters Manufacturing and Transportation Summit in New York. "Manufacturing companies, which buy raw materials in bulk and turn them into finished products, represent one of the first stages in feeding inflation through the economy," Reuters notes May 17. Although meeting attendees said that strong demand has allowed large manufacturers to pass on higher commodity costs to their customers (although most have also relied on cost-cutting and productivity improvements to make up the shortfall), the article does not address what happens when "end user" consumers substantially reduce their purchases, as indicated in the recent problems of Home Depot.

World Economic News

Global Stock Market Meltdown

The biggest worldwide stock market crash since the 2000-2003 collapse of the "New Economy" is right now unfolding. Within the past two weeks, roughly \$2 trillion in market capitalization has been erased. Every major stock market reported

their biggest two-week losses since early 2003. In the U.S., the S&P 500 index fell 4.4%, the biggest decline since January 2003. The Dow Jones Stoxx 600 Index, which covers the largest European stocks, plunged by 7.3% between May 9 and May 19. Just during the trading week ending May 19 it dropped by 4.5%, the steepest decline since March 2003. Hardest hit was the Norwegian market, sinking 11%. Two-week losses in Frankfurt, London, and Paris all exceeded the 7% mark. Asian stocks, measured by the Morgan Stanley Asia-Pacific Index dropped 5.3% within a single week, with the Jakarta Composite Index tumbling 9% and India's Sensitive Index 11%. The Japanese Nikkei has plunged by 8% since early May. The Russian RTS index crashed by 15.6% within the last 10 trading days.

However, fears of an uncontrolled outbreak of inflation, and therefore rising pressure on central banks to raise interest rates, are not only threatening unsustainable stock-market bubbles, but have led to an overall panic flight out of "emerging markets," hitting everything from stocks to bonds and currencies. In particular, Latin American currencies fell sharply in recent days, with the Brazilian real dropping by 6.8% since May 10. The Brazilian Treasury had to cancel its weekly bond auction on May 18, as investors were demanding yields the government was not willing to accept. In Indonesia, the rupiah plunged by 5% in one week, in spite of an upgrading of its debt by international rating agencies. The Turkish lira imploded, falling 8% between May 11 and May 16.

Due to the sudden meltdown of stock prices and "carry trade" investments in "emerging markets," further extended by derivatives bets based on such markets, several large banks and hedge funds are believed to have suffered extraordinary losses in the past few days. This is probably the background to the short-term interruption of the commodity hyperinflation process. Banks and funds had to temporarily liquidate positions in commodities and other investments in order to get cash for covering losses in stocks, "carry trade, and related derivatives. Thus, the CRB index of 19 commodities fell by 6.4% within one week, the biggest weekly decline in 25 years.

Commodities See Biggest Drop Since 1980

Commodities, led by metals, faced their biggest weekly drop since 1980, as the dollar advanced against the euro and yen (Bloomberg, May 19), and U.S. ten-year notes headed for their biggest weekly gain since September—all purportedly because speculators and others bet that the Fed will continue raising interest rates. The Reuters/Jefferies CFB Index of 19 commodities fell 6.4% this past week, the most since 1980. The index dropped 23.11 points to 338.64, after reaching a record high of 365.45 on May 11.

Mergers Are Driving Commodities Hyperinflation

Extreme volatility of copper, zinc, nickel, and gold in recent days is linked to the extreme volatility of the merger battles over global metals miners Falconbridge and Inco, which produce them all, Reuters reported May 16. Inco first bid for Falconbridge seven months ago, valuing the target then at \$12.6 billion in assets. Now, Inco is bidding \$17.1 billion for Falconbridge. But it is being outbid by Swiss-based Xtrata, which has just made a bid valuing Falconbridge at \$18 billion, which will probably go through. The money will come from UBS, Barclays, JP Morgan Chase, Deutsche, and Roy of Scotland banks. Thus the merger-value of Falconbridge's metals assets—copper, nickel, and zinc—has been pulled up by a whopping 45% in seven months giving the hedge-fund speculators their lead.

And what will Xtrata do with Falconbridge? According to UBS insiders, cited by Reuters, "Acquiring existing production provides certainty of cash flows immediately, and sector consolidation is better than building marginal new supply." Falconbridge has been taking mines out of production, one way or another, since the Inco bid. Market squeeze, anyone? And now Teck Cominco will proceed with its counter-takeover of Inco, valuing it at \$16.3 billion, or 20% above its current stock valuation.

Parallels Seen to 1971 Collapse of Bretton Woods System

Last week's "correction" in the commodities markets was "overdue and unsurprising," the *Sidney Morning Herald* stated May 16. The paper asks, "What are the odds of a hedge fund accident?" referring to 1998, the year of the collapse of LTCM (Long Term Capital Management). They indicate that assets of funds are now five times what they were when LTCM went under. Hedge fund losses in that year, they say, were 10%; a similar problem today would cost \$80 billion. This by itself would be "rocky but not a wreck," unless "it were associated with other problems, such as a mortgage crisis in the U.S." They note that the current commodity price bubble "bear[s] all the hallmarks of the Internet bubble of the late '90s: assets that don't make profits and don't pay dividends, doubling and trebling in price because of a 'game of pass the parcel to a bigger fool than me.'" They then cite an unidentified "Bridgewater," who "likens what is happening now to the collapse of the Bretton Woods system in the early 1970s." France first, and then other countries started to peel off the standard and started to ask the Fed for gold instead of dollars. The result was inevitable as the race for the dollar door began, the *Herald* stated.

For more on the past week's wave of financial turbulence, see "The Financial Bubbles Are About To Burst," in this week's InDepth Feature: "Race to the Bottom."

United States News Digest

Hayden Questioned on NSA Wiretapping Program

General Michael Hayden is going in as CIA director under President George Bush, so he won't publicly criticize the Bush Administration, commented Lyndon LaRouche about Hayden's confirmation hearings on May 18. Hayden's going in there to stabilize the situation at the CIA, so that the Agency can function again when these guys—Bush and Vice President Dick Cheney—are dumped. LaRouche was briefed in detail on the questioning of Hayden by Sen. Carl Levin (D-Mich), who took the lead for the Democrats, because Sen. Jay Rockefeller (WVa), the Ranking Democrat, couldn't attend.

Levin's questioning was much like a cross-examination on three areas. On the NSA wiretapping program: Did Cheney or others design it, and does it go further than Bush has admitted so far, e.g., domestic phone calls? Did Hayden oppose the "intelligence cell" set up by Doug Feith to "prove" the al-Qaeda link to Iraq? Does Hayden believe that the CIA has to abide by the Geneva Accords, the Treaty Against Torture. etc., the anti-torture act of 2005, and other international laws?

Hayden soft-pedalled on Cheney, admitting that he and his NSA lawyers limited the discussion to only "foreign" calls, but that there were "no arguments, no pushbacks," between the Vice President's office and his office.

Hayden said, "There were discussions about what we could do. Our intent all along [was to specify that] one end of these calls always being foreign.... We attempted to make clear that that's all we were doing and that's all we were authorized to do," according to the Constitution and existing laws of the nation. In later answers to Sen. Dianne Feinstein (D-Calif), Hayden said that he does not believe that "warrants" are specifically required under the Fourth Amendment.

On the al-Qaeda/Doug Feith operations, Hayden was fairly nasty: "If you want to drill down ... and exhaust every possible ounce of evidence, you can build up a pretty strong body of data, but you have to know what you're doing, right?" He told Levin that he would correct a public official (e.g., someone from the Administration), if the statements made contradicted intelligence.

Hayden was most definite on the torture question. He said, "All parts, all agencies of the U.S. government will respect our international obligations." He said that the CIA and all its contractors must follow specifically the Convention Against Torture and Other Cruel, Inhuman and Degrading Treatment, and the Detainee Treatment Act of 2005. But, he said, the

Army Field Manual only applies to Defense Department personnel, and the Geneva Accords have been interpreted in the Detainee Treatment Act of 2005 (the McCain-Warner-Lindsey Graham bill) to "make a distinction" between prisoners of war under the effective control of the DoD, and what applies to the rest of the government about "cruel, inhuman and degrading" treatment.

Senators Call for Diplomatic Solution to Iran Issue

In opening remarks to the Senate Foreign Relations Committee hearing on May 17, Chairman Sen. Richard Lugar (R-Ind) declared that the "American policy in the near term will be defined by efforts to convince the international community of our commitment to diplomacy and to build a broad multilateral and international coalition against Iran's nuclear ambitions." Addressing the Bush Administration, Lugar said: "Analysts in our intelligence agencies and State Department do not regard Tehran as irrational, but the framework for their decision-making is different from our own. We must understand that they are interpreting our actions in ways that we do not always discern...."

Senator Joseph Biden (D-Del), the Ranking Democrat on the committee, pointed out that "unfortunately, the Administration has chosen not to send a senior official to be a part of these hearings. That is a mistake." He said President Bush should write to the man who has the final say in Iran—Ayatollah Khamenei. "I would make the letter public and I would include a call for direct talks with Iran—anywhere, anytime, with everything on the table."

He also warned the White House that "dodging Congressional hearings is not a good start to what promises to be the most challenging problems facing our country over the next several years."

Murtha Reiterates Demand for Iraq Withdrawal

Six months after he introduced his emergency resolution to withdraw U.S. troops from Iraq because there was no plan to stabilize Iraq, and because U.S. troops were dying needlessly. Rep. John Murtha (D-Pa), a decorated Vietnam War hero, held a press conference May 17 to make his demand again. He said that nearly 350 more American troops have been killed in the last six months, with not one bit of improvement in the administration's plan to either stabilize or leave Iraq.

Murtha mocked Defense Secretary Donald Rumsfeld's claim of progress in Iraq based on that fact that there were so many satellite dishes on rooftops, when Baghdad has less than three hours of electricity per day. Murtha asked, what good are satellite dishes without electricity? What are Iraqi citizens doing for the 21 hours when they cannot turn on their TVs?

Murtha held this press conference as Rumsfeld was testifying about the Pentagon budget at the Senate Armed Services Committee. Rumsfeld and other witnesses told the committee that Iraq still doesn't have any self-sufficient military units.

Specter Denies Deal on NSA Wiretap Bill

Senate Judiciary Committee chairman Arlen Specter (R-Pa) denied a report published on May 16 in *The Hill*, that he had reached an agreement with Republicans on the committee to water down the provision in his bill to require the Administration to seek a ruling from the FISA court on the constitutionality of the NSA domestic wiretap program. The weaker version would provide that the FISA court would only review the program by hearing a challenge from a plaintiff with legal standing to bring such a case—which would give the Administration much more room to try to obstruct any such case from going ahead.

Specter's bill is opposed by many Republicans who want to support the Bush-Cheney argument that the President has inherent authority to carry out warrantless surveillance, and also by Democrats who oppose "legislating in the dark"; they

don't want to pass any legislation until they know what is actually involved in the NSA spying program, which the Administration is refusing to tell Congress.

Inadequate Mental-Health Screening for U.S. Troops

An alarming study shows that American troops with mental-health problems are not getting adequate attention. Fewer than one in 100, according to the *Hartford Courant* of May 14, are examined by a mental-health expert before deploying to Iraq. Some troops with problems are kept on the front lines with anti-depressants. Some with post-traumatic stress disorder are sent back to Iraq. The suicide rate has thus risen, with 22 deaths in 2005, or one out of five non-combat deaths. Some of the anti-depressants used have side-effects which could contribute to suicide.

Fitzgerald Zeroes in on Cheney

On May 12, Special Counsel Patrick Fitzgerald filed devastating new papers in the Scooter Libby case, tightening the noose around Vice President Dick Cheney's political neck. Among the attachments submitted by Fitzgerald were a series of handwritten comments, scrawled by Cheney on a copy of the July 6, 2003 *New York Times* op-ed by Ambassador Joseph Wilson, in which Wilson, for the first time publicly, detailed his CIA mission to Niger in February 2002, and assailed the Bush Administration for exaggerating the intelligence about Iraq's nuclear weapons program to justify the war. Among the notations in Cheney's handwriting was a question: "Did his wife send him on a junket?"

Fitzgerald commented on the handwritten notes, "Those annotations support the proposition that publication of the Wilson Op-Ed acutely focused the attention of the vice president and the defendant—his chief of staff—on Mr. Wilson, on the assertions made in his article, and on responding to those assertions." Part of Scooter Libby's defense has been the claim that he had no special interest in Wilson or his wife, and had many other more pressing national security matters to worry about, and had merely forgotten his conversations with reporters or the source of his knowledge that Wilson's wife worked for the CIA. Fitzgerald wrote, additionally: "The annotated version of the article reflects the contemporaneous reaction of the vice president to Mr. Wilson's Op-Ed article, and thus is relevant to establishing some of the facts that were viewed as important by the defendant's immediate superior, including whether Mr. Wilson's wife had 'sen[t] him on a junket.' "

Briefed on the Fitzgerald filing and the media coverage in *Newsweek*, the *New York Times*, and the *Washington Post*, Lyndon LaRouche said that he thinks this could be the end for Dick Cheney. He equated Cheney's handwritten notes on the Wilson article with the Nixon tapes that proved Nixon's complicity in the Watergate coverup.

Ibero-American News Digest

Mexico Moves Towards Nuclear-Power Revival

The Mexican government has established a committee to plan out expansion of nuclear energy development. Nuclear engineering circles in Mexico are delighted at the announcement, made May 11, that Mexico is moving to expand its nuclear sector. Work towards this has been going on for two years by leading people in the institutions, sources report, but the move was finally made official with formation of a "Nuclear Energy Decision-Making Committee," whose mission is to analyze the feasibility of the government developing a program for the expansion of nuclear power in Mexico. On May 11, Secretary of Energy Fernando Canales Clariond presided over the first meeting of the committee, which includes high-ranking officials of the Energy Ministry and the Federal Electricity Commission, leading nuclear experts from Mexican nuclear and electrical research institutes, and from the National Commission on Nuclear Security and Safeguards. The committee divided their work into three sub-committees: Confining Radioactive Waste; Adding Additional Nuclear Capacity; and Fuel Diversification.

The first decision of the committee was that it would define a nuclear-energy policy by next October, which would provide the next administration a working plan.

The Energy Secretary's announcement reiterates that under Mexico's Constitution, the state has sole control over nuclear resources and the generation of energy based on this technology.

Ibero-American 'Oil for Nuclear Power' Conference

An "Oil for Nuclear Power" conference, to be broadcast over the Internet from Mexico City and Buenos Aires June 15, co-sponsored by EIR and the LaRouche Youth Movement (LYM), is intersecting the optimism in Mexico created by the announcement of the "Nuclear Energy Decision-Making Committee."

The LYM kicked off the organizing for the conference on April 12, with a statement, "The Future Is Now: Oil for Nuclear Technology." The statement quotes from LaRouche's call, made during his March visit to Monterrey, for a program of Mexican reconstruction. "LaRouche is right," the LYM statement says. "In order to plan what we must do today, we require a clear concept of what the next 50 years must be.

"Mexico's oil industry must be rebuilt from the destruction imposed by the International Monetary Fund and the bankers since 1982. The oil industry, under [former President Jose] Lopez Portillo, was used to provide the resources to fund education, health care, and the building of essential infrastructure.... It will take some five-seven years to rebuild Mexico's oil industry back up to the level of 1982. That must be done, at the same time that we move towards a nuclear power-based economy. Oil and nuclear are complementary—if we view them from the standpoint of the next 50 years."

The conference will feature a report on the LaRouche-led battle in the U.S. for auto reconversion, as well.

South America's Presidents Club Has Financiers Foaming

Four points of attack on South American governments last week exemplify the latest attempts to stir up trouble among and in the South American nations:

1) On May 15, the State Department announced that Venezuela is "not fully cooperating" with the United States in fighting terrorism, and therefore, it will impose an arms embargo upon it, on the pretext that the Chavez regime is establishing close intelligence relations with Iran and Cuba (both designated as "state sponsors of terrorism" by the State Department), and that the regime has ties to Colombian narcoterrorist groups.

This "pro-terrorist" designation is aimed not only at Venezuela, but at polarizing and dividing South America. The Bush Administration has already blocked Brazil's agreement to sell Venezuela military training planes—causing problems between Venezuela and Brazil—by asserting U.S. veto rights over transfer of U.S. technology used in those planes. By specifying the Colombian terrorists as a reason for Venezuela's blacklisting, the Cheneyacs are upping the pressure on Colombia's Alvaro Uribe to break off participation in the emerging "Presidents' Club."

2) On May 14, *Correio Brasiliense*, the daily of Brazil's capital Brasilia, leaked a document allegedly prepared by "the intelligence services of Brazil's Armed Forces," arguing that Brazil must change its current national defense policy to prepare for a possible war in South America. Some troops scheduled to beef up Amazon region defenses, should be instead deployed to Brazil's southern borders with Bolivia, Uruguay and, Paraguay, the document is said to urge. Naming Hugo Chavez as a "destabilizing factor" in the region, the document argues Brazil should adopt as its hypothesis of war, that

within the next 15 years, "there could be direct combat with up to two coalitions of South American nations, or between one of [Brazil's] neighbors and a military superpower."

EIR cannot vouch for the accuracy of the leak, but its publication reflects the drumbeat for war which led President Lula da Silva and his Foreign Minister three times to reject the use of force against Bolivia.

3) London's *Economist* magazine May 13 issue threatened that "Brazilians may soon pay a price" for the Lula Administration's failure to attack Bolivia for violating contracts by nationalizing oil. Funny thing: The same weekend, the Brazilian weekly *Veja* published reports it itself admits are unconfirmed, that President Lula and other leaders of his party have secret foreign bank accounts. A spokesman for the government responded that Lula will sue the magazine for this.

4) On May 18, IMF spokesman Masood Ahmed chimed in, evoking the bogeyman of foreign investors fleeing. "The decision of the Bolivian government to nationalize the hydrocarbon sector has potentially far-reaching economic consequences," should negotiations not reach mutually satisfactory agreements on compensation, prices, and new operating contracts, the spokesman said, in answer to a set-up question from a Brazilian journalist, who asked if the IMF thinks the Bolivian nationalization "can negatively affect the investor sentiment towards all Latin America?"

Ecuador Boots Out Occidental Petroleum

"Resource nationalism," as worried bankers call it, is spreading. On May 15, the government of Ecuador announced the cancellation of Occidental Petroleum's contract to operate in Ecuador, and ordered it to leave the country. Occidental—which had been the target of weeks of popular demonstrations—was charged with violating its contract (among other things, it transferred 40% of its concession to a Canadian company in 2000 without informing the government). Interior Minister Felipe Vega dismissed protests that Ecuador was "lining up" with Venezuela and Bolivia. The "only factor in common" with those countries is "the conduct of the oil companies—conduct which is absolutely unfair, seizing our resources," said Vega. Energy Minister Ivan Rodriguez reported on May 16 that the government is considering bringing in one of Ibero-America's other state oil companies to help Petroecuador run Oxy's fields, mentioning Venezuela, Chile, Mexico, Brazil, or Colombia.

Occidental produced 100,000 bpd, about 20% of the nation's total daily output.

In mid-April, Ecuador imposed a 50% tax on the windfall profits of foreign oil companies, which have been raking it in since they had signed longer-term contracts with the government, before the price of oil soared.

Drug Gangs Launch War on Brazil's Largest City

The bestialization created by decades of free trade was displayed in all its horror in Sao Paulo this week, when the First Capital Command (the PCC) drug gang launched a city-wide assault on May 12, which continued for most of the following four days. At least 137 people died in the assault, which included simultaneous uprisings in 70 prisons, and attacks on some 250 police stations, courts, bank branches, and public transit buses.

This was the largest offensive ever carried out by the gang, which controls major portions of Sao Paulo's enormous poor *favelas* (slums). Ostensibly, the rampage was ordered in response to the transfer of several hundred of its members, including the head honcho, to high-security prisons.

The power wielded over the *favelas* of Brazil's big cities by these organized-crime battalions has been cited as a pretext for the creation of a multinational military force to police Ibero-America's "ungoverned areas" by Donald Rumsfeld et al. for

the past four years. Imagine the calamity that would provoke!

Emergency Foreign Ministers Meeting Provoked by Bush Border Plan

Foreign Ministers from 11 Ibero-American countries held an "emergency" meeting May 19 in Mexico, to discuss Bush's border plan. Foreign Ministers from Central America (Panama, Honduras, Nicaragua, Costa Rica, El Salvador, Guatemala, and Belize), Ecuador, Colombia, and the Dominican Republic, joined their Mexican counterpart, to coordinate actions. The kind of actions contemplated are similar to those announced by the Guatemalan government (which decried Bush's decision as "deplorable"), to increase personnel in their consulates in Arizona, Texas, and California, to prepare for an increased wave of deportations.

Western European News Digest

Former French PM Shocks Academics, Endorses NBW

Michel Rocard, French Prime Minister between 1988 and 1991, currently Member of the European Parliament, and troublemaker of the Socialist Party, broke through the fantasy-land of the 200 or so people gathered at the Nancy School of Political Science last week for a discussion on the future of Europe. After an introduction by two sycophants of the financial oligarchy, Rocard put reality on the table: "Europe has historically been the place where peace has been possible, especially after World War II and the reconciliation between France and Germany," but after the death of de Gaulle, the British, who had tried earlier to destroy the EU from the outside, "entered and destroyed it from the inside," and now "the European dream is dead!"

Rocard then developed how austerity policies are destroying the EU and how, in the last 30 years, they have created the conditions for a "systemic crisis" or a "financial tsunami" today. He developed a comparison with the U.S. debt in 1929 (120% of GDP), which created the crisis and brought fascism in Europe, and how today's debt is 230%! He also explained that this debt is financed by other countries, especially China, which could blow everything "in less than one hour."

At the end of his presentation, the room was very tense, because he almost said that there was nothing that could be done about it. During questioning from the audience, however, the issue of a New Bretton Woods (NBW) monetary system was raised. Not only did Rocard endorse the NBW, but he attacked monetarism and its creator, establishment icon Milton Friedman, saying that the Friedman "should be brought to the International Court of Justice for crimes against humanity, because he is an example of how ideas can kill."

De Villepin Survives No Confidence Vote—Barely

The French Prime Minister, Dominique de Villepin, made it through a vote of no confidence May 17, but not without scars. The vote supported the government, which has a majority in the Parliament, but many of de Villepin's own party members were absent, and others, who usually support the government, voted against it. De Villepin's poll ratings are at 26%.

Reportedly, deals are being made between President Jacques Chirac and Interior Minister Nicolas Sarkozy, and between Chirac and de Villepin, to try to keep the boat afloat. It is rumored that the reason Chirac is sticking to his discredited Prime Minister is that, according to the book, *The Tragedy of the President*, de Villepin had stated in the late 1990s that he would never be fired because, "I know too much" and "outside of the system, I would become a time bomb."

German Chancellor on First State Visit to China

Chancellor Angela Merkel is to leave for Beijing May 21, accompanied by the Ministers of Economics, Transport, and Justice, and about 40 business leaders, with emphasis on the *Mittelstand* (medium-sized firms).

May 22 is reserved for talks with Chinese leaders in Beijing, and for a speech at the Joint German-Chinese High-Tech Dialogue Forum, which has a conference with 200 industrial leaders and experts in the Chinese capital. That night, Merkel will depart to Shanghai, where she will meet with the Catholic Bishop, meet local Chinese leaders, and take a ride on the maglev train to the airport, from which she will return to Germany.

The fact that, as reported by various German media, Merkel is reading Henry Kissinger's *Diplomacy* book these days, may not be a good omen for the China trip.

In her article for the coming issue of *Neue Solidarität*, Helga Zepp-LaRouche called on Merkel to take an example of the pro-industrial thrust and technological optimism that China experienced with the Deng Xiaoping reforms.

Northern Ireland Assembly Has Historic Meeting

The Stormont Assembly in Northern Ireland sat for the first time in nearly four years, and it has until Nov. 24 to come up with a power-sharing agreement, the *Guardian* reported May 15. The Stormont Assembly had been closed in 2002 by then-Northern Ireland Secretary John Reid, who suspended the body based upon claims subsequently shown to be spurious that the IRA was running a spy ring out of the Parliament Assembly. (John Reid, an arch-Blairite, is today Home Secretary, and a distant-second candidate against Chancellor of the Exchequer Gordon Brown to replace Tony Blair.) At the point of its cloture, the Assembly was dominated by the Ulster Unionists and Social Democratic Labour parties.

However, the more hardline Democratic Unionist and Sinn Fein parties are the majority blocs after the 2003 Northern Ireland elections. Democratic Union leader Ian Paisley has refused to share power with Sinn Fein as long as the latter refuses to recognize the Northern Irish police. Ulster Unionists also voice doubts over whether the IRA has really disarmed, as has been attested to by the decommissioning commission.

Gerry Adams of Sinn Fein said that he would vote for Ian Paisley to be First Minister, with Sinn Fein Assembly member Martin McGuinness as his deputy.

EU Commission Backs Privatization of German Savings Banks

Put under pressure by the savings banks (Sparkassen) association and the German financial regulators, German Finance Minister Peer Steinbrück wrote a letter to the EU Commission last week, protesting its intent to open a lawsuit against the German savings banks law. At the recent Berlin convention of the savings banks, Chancellor Angela Merkel also backed the cause of the savings banks. Steinbrück wrote that Mario Monti, the predecessor of the present EU Commissioner for Competition Charlie McCreevy (known for remarks like "The people just want beer and a bit of sex, that's all."), had already ruled that the savings banks law is in line with EU regulations.

But McCreevy wrote back that he does not care about Monti's views, he considers the German law as being against the regulations for full freedom of financial services. The privatizers hold that the law, which maintains that savings banks are institutions of the public sector and therefore mandated to serve the common good, stands in the way of the supposedly unavoidable and necessary transformation of savings banks into private sector commercial banks, mandated to serve the shareholders.

The plan of the privatizers is additionally duplicitous, because they want to keep the name of "Sparkasse" for the newly privatized savings banks, as a means to lure more deposits in from citizens, who have more confidence in a savings bank than in a commercial bank.

The entire dirty operation escalated in March, when Berlin's State Finance Minister Thilo Sarrazin wrote to McCreevy, urging him to take the German savings banks to court, and force them to accept Sarrazin's intention to sell the Berlin Sparkasse to private investors. The sale would be a foot in the door to the privatization of all the savings banks in Germany.

Dresden Mayor on Trial for Corruption

Ingolf Rossberg (FDP), the Mayor of Dresden, Germany who sold the WOBA public housing to a locust fund, is now on trial for corruption. The case pivots around a friend of Rossberg's, Rainer Sehm, and a one-man firm he created, Actor Consulting, which managed the millions in flood relief for Dresden. The state administration had investigated Sehm's firm in 2004, but did not pursue it. Then, in an April 2005 raid, they found out that Sehm had hidden his income from Rossberg's contract from the insolvency board, which constitutes serious fraud. There is apparently evidence that Rossberg may have had a role in telling Sehm to hide that income.

The reopened Sehm case has now been expanded to include Rossberg, who announced he is taking a leave of absence as mayor during the trial, from early June to September. It is now likely that Rossberg will be ousted in a no-confidence vote, if he does not step down voluntarily. Dresden will then have early elections for mayor, some time in autumn.

Retooling May Save Berlin Machine Firm

In what has to do more with excessive profit expectations of shareholders than with problems of the production as such, the BSH firm (Bosch Siemens Hausgeraete Werk) in Berlin has been blacklisted as "deficient" by the management, which wants to shut it down by next autumn at latest.

For the Siemens household machines section, CEO Kurt-Ludwig Gutberlet declared in Munich May 16, that perspectives are grim for the Berlin plant, adding not so convincingly that the management will look for options to keep the site with its 580 workers.

The question is posed, whether survival for the Berlin plant is possible outside of the "white ware" branch, perhaps by shifting to production of other useful products. During the first round of the LaRouche re-tooling mobilization in 2005, it was learned from phone calls into Berlin, that BSH there could be retooled to produce formed metal components for urban transport or railway systems. The reluctant top management at Siemens, a leading transport technology producer in Germany, would just have to be convinced to give the go-ahead.

Russia and the CIS News Digest

Putin: No New Cold War, No 'Sticking Noses in Other People's Business'

Speaking May 13 in Sochi, where he attended ceremonies marking the 15th anniversary of the Russian state television and radio broadcasting company, Russian President Vladimir Putin alluded to the recent ravings of Dick Cheney. Said Putin, "We will build our relations with our Western colleagues, patiently and calmly. I have already said that we will not be

returning to the period of the Cold War.... What we need is to ensure normal, acceptable conditions for development in the foreign policy sphere. We don't need anything else. As long as people don't shove their noses into other people's affairs or declare the whole world their own sphere of influence, then we have quite enough of our own existing resources to ensure our own security absolutely reliably, in spite of any promising developments of theirs."

Putin spoke to other points. He stated that he will be expressing his views on the question of who succeeds him as President. He described how he rejected the first draft of his State of the Federation speech and coordinated the rewrite, with its emphasis on the country's demographic crisis, with the government ministries that will have to administer specific measures and spend money to implement them. Putin also discussed the dismissal of top law-enforcement officials May 12, including in the customs service, the FSB (state security), the Ministry of Internal Affairs and the Prosecutor's office. He said that the clean-out had resulted from the agencies' own anti-corruption processes, and "the work is not yet finished."

Russians See Deterioration in U.S. Relations

Political analyst Vyacheslav Nikonov, who is also an official of Russia's new Public Chamber, indicated he had been given the go-ahead by Public Chamber chairman Yevgeni Velikhov, the physicist, to deliver a certain message to World Russia Forum, held May 15-17 at the Hart U.S. Senate Building. The forum is a collaborative effort of academics and politicians in both countries to improve U.S.-Russian relations. Nikonov's message was: "Russia believes that we are living in a multi-polar world. Russia represents one of those poles. Russia considers itself a Euro-Pacific superpower, an energy superpower, a nuclear superpower, a space superpower, and a national resources superpower. Although Russia is not in good shape, it is in the best shape ever. It is also in the best mood ever. 48% of the Russian people believe that Russia is heading in the right direction. [Other speakers at the conference noted that Putin's own approval rating is much higher.] The goal of Russian policy is to create the conditions for national development. Russia's role as a power in the world is based on the United Nations. Russia is a sovereign democracy and believes it is the right of each state to be sovereign in accordance with the rules of international law. Institution-building takes decades. We are attempting to build a world of stability. We will not accept any undue outside influence on the policy of countries which are Russia's neighbors, nor will we permit any neighboring countries to drift into military alliances that may be aimed against Russia."

Nikonov noted that the EU and NATO, as institutions, kept arms-length from Russia "because we are too big and too Russian for them." Assessing U.S.-Russian relations as "at the lowest point in 20 years," Nikonov pointed to recent remarks by Sen. John McCain and former Sen. John Edwards recently in Brussels. Pointing to "minefields" that lie ahead, Nikonov said: "The upcoming G-8 meeting, where some people expect a scandal. Then there is the expected invitation by NATO at their next summit to Ukraine and Georgia to join. Kosovo is the first minefield. [The U.S. supports the independence of Kosovo from Serbia.] And then there is Russia's WTO membership." He cited "coinciding interests with the U.S." in the fields of on energy, non-proliferation, counter-terrorism, among others, but noted that the recent Brussels energy forum dealt totally with Russian "oil imperialism."

Primakov Sees Trotskyite Roots of Neo-Con Doctrines

Speaking to RTR-TV on May 15, former Russian Foreign Minister and Prime Minister Yevgeni Primakov noted that in Afghanistan, "The United States—well, let's say not directly created—but it was with their help that bin Laden was created. They helped create [Afghansi drug lord] Hekmatyar. They helped create the Taliban. This was because everything was focused on the fight against the USSR. And now this has come back to haunt them."

Concerning current neo-con policy in the West, Primakov brought up the lessons of history: "It isn't possible to export democracy to countries that are not ready for such a type of democracy, which is forced on them—don't you see? For example, in their day the Trotskyites declared that they would export revolution to any country and the revolution would

be permanent, regardless of the internal situation. This is how the Americans, without considering the internal situation, decided to sort out the situation in Iraq."

Tennenbaum Brings LaRouche to Russian Listeners

Jonathan Tennenbaum, billed as science advisor to many-time U.S. Presidential candidate Lyndon LaRouche, made two media appearances in the Russian capital on May 18-19, in which he addressed the current economic and strategic crisis, and the pathway into the future, charted by LaRouche. The May 18 interview was aired on the Govorit Moskva (Moscow Speaking) radio program on a Moscow-area station that reaches an area with a population of 15 million. Tennenbaum answered questions from program host Serafim Melentyev, who began the broadcast by reading aloud the quotation from Franklin Delano Roosevelt, with which President Vladimir Putin keynoted his May 10 Message to the Federal Assembly, and asking Tennenbaum why Putin had chosen precisely this excerpt from precisely this President. Tennenbaum replied that he had not had an opportunity to ask President Putin directly, but that, "the policies of Roosevelt are very timely today—not just for Russia, but for the world—because the global economy is so unstable." The interview touched on the state of the U.S. auto industry, the global financial crisis, Cheney and the neo-cons as a threat to the United States, inclusively, and the principles and activity of Roosevelt and LaRouche.

Tennenbaum followed up on May 19 with a 40-minute webcast interview on the www.km.ru site. He fielded 16 questions e-mailed in on a range of subjects: the world economic crisis and the situation of the dollar; the relationship between science and the desire to turn to God; scientific questions including nuclear power, global warming, manned missions to Mars, the shrinkage of higher education; Russian-American relations, the role of the neo-cons and Cheney, the danger of the U.S. nuking Iran; the U.S. political scene, global "democratization", and how to bring youth into politics. In his replies, Tennenbaum was able to develop a lot on LaRouche, FDR, the fight to save industry in the United States, the common heritage of the USA and Russia from Leibniz, the defeatibility of Cheney, and much more.

SCO Members Cautious on Organizational Expansion

There are no plans to expand the membership of the Shanghai Cooperation Organization (SCO), but requests for membership will be discussed, according to Russian Defense Minister Sergei Ivanov on May 17, who elaborated: "Due to the escalation of the situation surrounding Iran, such reports [of Iran membership] are going to appear ten times a day. There are no plans to broaden the SCO radically." During a meeting of SCO Foreign Ministers in Shanghai, earlier the same week, the Foreign Ministers of Tajikistan and Kazakhstan spoke forcefully against such expansion. Currently Pakistan, India, Mongolia, and Iran have observer status with the SCO.

Russia Is Featured Guest at Berlin Aerospace Exhibit

The three-day International Aerospace Exhibit opened May 16 in Berlin. Russia's aerospace industry was the special guest nation this year, with 70 firms present. Besides civilian and military aircraft, the Russian pavilion featured space technologies: the GLONASS space-based navigation system, the Kliper reusable spacecraft, and two newly developed orbital space laboratories that can dock at the International Space Station. On May 18, Energiya spacecraft company head Nikolai Sevastyanov gave an ILA presentation on industrial extraction of helium-3 on the Moon for use in future high-temperature or fusion reactors. "The Moon is the closest place to Earth, where helium-3 can be extracted in such quantities," he said. "This fuel is highly effective, and it has no equivalents on our planet, where natural resources are limited." The establishment of a permanent lunar base would proceed in two phases. The first phase, costing \$2 billion, could start in 2010-2015, involving Soyuz spaceships and Proton launch vehicles, Sevastyanov said. "The Russian segment of the International Space Station could be used as an assembly site for an inter-orbital space complex bound for the Moon." A second, 2015-2020 phase would focus on construction of a permanent transportation system for ferrying people and supplies to and from the moon. That would involve manned spacecraft based on the Kliper and inter-orbital

trawlers, propelled by liquid-fuel jet engines.

The ILA was also an occasion for the Franco-German EADS and Russia's MiG and Irkut firms to sign a contract for refitting Airbus 320 and 321 planes as cargo transports. The work will be done in Russia.

Southwest Asia News Digest

Top Tory: Attack on Iran May Be Necessary

A senior British Conservative Party politician said "military intervention might have to be considered" against Iran, if diplomacy and sanctions fail to curb Tehran's uranium enrichment program. In an interview with the *Telegraph* May 18, former British Foreign Secretary and Defense Minister Malcolm Rifkind stated that in return for a "permanent and verifiable renunciation of nuclear weapons, and ceasing work on uranium enrichment," Washington should offer to restore diplomatic relations with Iran and guarantee "that its frontiers would be safe from military attack." However, if the Iranians were to reject such an American offer, and even if Russia and China blocked UN economic sanctions, European countries should join the U.S. in a financial boycott of Iran, he said. "If such measures still did not have the desired impact, military intervention might have to be considered." The *Telegraph* says that Rifkind is the first senior British politician to take this stance publicly.

Pentagon To Offer Weapons to Iran's Neighbors

Air Force Lt. Gen. Jeffrey Kohler claimed that reports of Iran's nuclear program have "awakened some major concerns" among its neighbors, according to an interview with Reuters May 19. Therefore, he said, "We're in a discussion with their services and their leaders to see what capabilities are required and how the United States can best fulfill those needs." Kohler is the head of the Pentagon's Defense Security Cooperation Agency, which handles government-to-government weapons deals.

When asked which countries were involved, he said, "Let's just say everybody that is not Iran." Pressed to say whether the UAE, Kuwait, and the Saudis were included, he answered: "All of them."

Russian Foreign Minister To Tour Persian Gulf

Russian Foreign Minister Sergei Lavrov is touring the Persian Gulf May 21-24, stopping first in Saudi Arabia for two days, then going on to Qatar and Kuwait. The center of his talks will be Iran, but he will also address the Iraq crisis and the Palestinian conflict. According to a diplomat in Riyadh quoted by AFP May 17, the Saudis had asked the Russians to intervene, to try to prevent the UN from providing cover for a military strike against Iran.

Lavrov Threatened Veto of UN Iran Resolution

At the dinner given by Secretary of State Condoleezza Rice for the UN Security Council Permanent Five Foreign Ministers (U.S., Britain, Russia, France, China) plus Germany, Russian Foreign Minister Sergei Lavrov exploded with anger, according to the *Telegraph* May 15: He arrived at the meeting "seething about a speech on Kremlin policies delivered by Dick Cheney ... in Lithuania. The Russian repeatedly complained about the comments, and then threatened to veto a Security Council resolution, drafted by Britain and France and backed by the U.S., that would force Iran to abandon enrichment of uranium." Lavrov also "accused the Americans of seeking to undermine efforts by Britain, France, and Germany to solve the crisis." He "singled out Nicholas Burns ... complaining about his criticism of Russian involvement in

Iran's Bushehr nuclear plant." At that point, Rice burst out: "This meeting isn't going anywhere."

Iranian Nuclear Advisor Pays Visit to Washington

Mohammad Nahavandian, an advisor to Iran's top nuclear negotiator, Ali Larijani, has been in Washington, according to *Newsweek* May 22. He met with officials of the International Crisis Group (ICG), which has a viable proposal for settling the nuclear conflict. At a meeting with ICG Middle East director Robert Malley, a former Clinton Administration official, Nahavandian "made a passionate case ... that current Supreme Leader Ayatollah Ali Khamenei was eager to broaden Tehran's tentative cooperation with Washington over Iraq to other subjects," including the nuclear issue.

At the same time, Zbigniew Brzezinski, who is on the ICG board, again came out for direct talks between Iran and the United States. He also said Iran is five to ten, or even 15 years away from having a bomb.

***EIR* Board Member Interviewed by Iranian Radio, TV**

In an indication of the seriousness with which Iranian political circles continue to regard Lyndon LaRouche's analyses and proposals regarding the neo-cons' threats against Iran, Islamic Republic of Iran Broadcasting (IRIB) interviewed Muriel Mirak-Weissbach of the *EIR* editorial board for 30 minutes on May 13, principally on dynamics in Washington and the U.S. generally as they affect relations with Iran and the prospect of war.

She was interviewed again by Morteza Jabbari of Iranian English-language radio on May 20.

Iranian President: Bush and Company Are Insane

Without mentioning any names, Iranian President Mahmoud Ahmadinejad stated in a speech on May 19, "Those who get sad at the progress and happiness of others are suffering from mental and psychological problems, so they should find a way to cure themselves." In contrast, he said, "More than 2 billion people were happy and celebrated when they heard the news of Iran's nuclear achievement."

Lyndon LaRouche's frequent emphasis on the insanity of the Bush-Cheney crowd, and the interviews with psychiatrist Dr. Justin Frank in *EIR*, in which he discussed Bush's mental disabilities, have circulated widely in Iran.

European Union Offer to Iran Dead on Arrival

Iran on May 17 rejected an offer prepared by the EU-3, consisting of Britain, France, and Germany, aimed to resolving the impasse over Iran's nuclear program. The offer, or a draft of it, which was leaked to AFP among others May 20, offered Iran a European light water reactor, fuel supply guarantees from Russia, and a pledge by the EU to work towards "recognition of territorial integrity" of Middle Eastern countries. The EU also proposed that the U.S. allow Iran to buy commercial aircraft.

In exchange, Iran was to suspend all enrichment activity including research, and stop work on construction of a heavy water reactor. If Iran should reject the offer, the EU-3 proposed sanctions, including an arms embargo. The EU-3 has reportedly listed 15 targetted sanctions from which the UNSC can choose, as "proportionate measures." The sanctions are divided into "measures targetted against Iran's nuclear and missiles programs," and "political and economic measures." The draft goes so far as to say that, "in the event that Iran does not cooperate with the international community," sanctions could be adopted under Chapter 7 of the UN Charter, a red line the Russians and Chinese will not cross.

Iranian President Ahmadinejad rejected the offer: "Do you think you are dealing with a four-year-old child to whom you can give some walnuts and chocolates and get gold from him?" Iran, he said, would not "accept any suspension or end" to its enrichment program.

Iraq Parliament Approves Cabinet Without Defense, Interior

The Iraqi Parliament May 20 has voted on, and approved each Cabinet nominee submitted by Prime Minister Nuri al-Maliki. But the two most sensitive ministries, Defense and Interior, were left open, because there was no agreement among factions, and the U.S. and UK were interfering heavily to push their assets. Maliki will take over Defense, and his deputy will take over the Interior Ministry for a week. Then what? No one knows. A major Sunni faction walked out once this had been made known.

Meanwhile, in Basra, the militias and tribesmen now have a free hand in carrying out attacks; the police do not respond to reported attacks, fearing they will be targeted; the occupation forces are also losing control.

Imprisoned Fatah and Hamas Leaders Draft Peace Initiative

At the initiative of Fatah leader Marwan Barghouti, now serving a prison term in Israel, a joint peace initiative has been drafted and signed by imprisoned leaders of Fatah and Hamas, the Israeli paper *Ha'aretz* reported May 13.

The document reads, "The Palestinian people, in the homeland and in the Diaspora, aspires to liberate its land and realize its self-determination, including the establishment of an independent state on all the land occupied in 1967, and to assure the right of return for refugees and the liberation of all prisoners and detainees.... We call on everyone to accept the changes in the Palestinian arena and expand the legitimacy of the PLO as the sole legal representative of the Palestinians and the supreme legal political address."

In addition to Barghouti, the document was signed by Sheikh Abel Halek Hatshe of Hamas. Since the imprisoned Palestinians are held in the highest regard by all Palestinian factions, the document will have tremendous support. It has significance first as a joint Hamas-Fatah agreement, and second, because it recognizes the 1967 borders, an implicit recognition of the right of Israel to exist, indicating that key leaders in Hamas have now taken this position.

Hamas Prime Minister Ismail Haniyeh said the document represents an implicit recognition of Israel's existence. "The document includes very important useful points that will contribute to remove some obstacles, but it needs more deep study," Haniyeh said. Palestinian President Abu Mazen called it an "important plan."

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