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## This Week You Need To Know

*Here are LaRouche's closing remarks to the EIR Berlin Seminar of June 27, titled, "For a New Bretton Woods System."*

### Russia, China, Eurasia, and Mankind's Future

The reality is this: Look at the situation in Eurasia. Now, I'm very strong on Eurasia, because I believe that what has happened in this sense, in Germany, in the relationship of Germany to Russia, and the relationship of Germany to the SCO, to the Shanghai Cooperation Organization and similar nations, is decisive in its potential for the world. The problem is that we can not, without a change in the United States to get back to something like a Bretton Woods system, we can not possibly create the kind of reorganization of the present world financial system, needed to do what can be done.

Now, Russia has two characteristics which are completely misunderstood. Vernadsky did understand it implicitly, but not completely. But what he did, because in his proof of the principle of the Biosphere, which is a very crucial scientific proof—one of the highest qualities of proof, with a very difficult subject to attack, which was not unknown at that time—but what he did, was actually go through this in a thorough way, with his fellow-scientists to develop a conception of the Biosphere, which *changes man's conception of the organization of the universe*. So, Vernadsky was a universal mind, with his own personal complications, but a universal mind. He was not a Communist. He was an anti-Bolshevik, but he was a Russian patriot. And Stalin treated him as a Russian patriot, which is why Stalin protected him against the members of the party. Because, Stalin said, "Don't be a fool. This man is a Russian patriot. Let him do his work."...

*...full article, PDF*

## Latest From The LaRouche Youth Movement

See InDepth this week for the speech by Argentine LaRouche Youth Movement (LYM) leader Emiliano Andino to the June 15, 2006 international videoconference on "The Role of Oil in the Transition to Nuclear Energy," organized by the LYM and *EIR*.

## InDepth Coverage

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## Feature:

### [The Snake and the Rabbits](#)

[by Tony Papert](#)

Jacques Cheminade, the author of the accompanying article, is a brilliant leader of France, who is hated by the mediocrities, because they resent the competition. He is also a candidate for President of France. But it will be difficult for the English-speaking reader to grasp the implications of Cheminade's use of the French language. (The French original may be found at [www.cheminade2007.org](http://www.cheminade2007.org).) To begin with, despite the ghastliness of the apparent subject, which is that yet another fascist takeover of France is now in process, nevertheless, the French-educated reader will immediately sense that the article and its author alike are actually tremendous *fun*.

- [Let's Stop Putting France on Sale](#)

[by Jacques Cheminade](#)

*LaRouche associate Cheminade is a candidate in the 2007 French Presidential elections.*

On presenting the European Green Book on Energy, Jose' Manuel Dura'õ Barroso, chairman of the European Commission, let the cat out of the bag: 'Once and for all, let there be an end to protectionism and knee-jerk patriotic reactions,' he said. Claiming opposition to this, France's Prime Minister, Dominique de Villepin, puts forward his 'economic patriotism.'

The truth lies elsewhere than in the nice words of the politicians. Beyond the facade, one must face reality: At the center of a French capitalism gone mad, which is to say financial, there is a veritable invasion of our public arena by an avalanche of multinational, 'non-resident' interests. Their objective is to destroy what remains of the French nation state, and to impose the power of a financial conglomerate—synarchist and oligarchical—without honor, law, or borders.

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## Economics:

### [Nissan-GM Merger Is Next Step In Fascist Labor Recycling](#)

[by Paul Gallagher](#)

A proposed shotgun merger of General Motors with Nissan/ Renault is the next step in the introduction of fascist labor recycling into the world auto industry. Under the leadership of CEO Carlos 'Le Cost Killer' Ghosn, Nissan/Renault is already running a plantation slave labor shop in the heart of the southern United States. Workers at the Canton, Mississippi Nissan plant are stripped of any job security for the first two years of employment, forced to work any number of hours at sped-up conditions, and paid one-third or less the wages of a unionized autoworker. Ghosn is now conspiring with predator Kirk Kerkorian, owner of 10% of GM's stock, to take over the running of GM's operations, according to many sources.

### [LaRouche Youth Movement:](#)

### [The Fight For Nuclear Power in Ibero-America](#)

Here we publish the speeches by Argentine LaRouche Youth Movement (LYM) leader Emiliano Andino, and Argentine Congressional advisor and energy expert Ricardo De Dicco, to the June 15, 2006 international videoconference on 'The Role of Oil in the Transition to Nuclear Energy,' organized by the LaRouche Youth Movement and EIR.

- [Emiliano Andino](#)

## **Mosconi's Legacy Is Key for Argentina**

- **Ricardo De Dicco**

### **Promote Nuclear Power All Over So. America**

Energy expert Ricardo De Dicco, who works for the research center at the Universidad del Salvador in Argentina, is also an advisor to the Energy Commission of the Argentine Congress, and has written extensively on the need to develop nuclear power.

## **Biofuels: A Losing Proposition**

### **by Christine Craig**

Using the ethanol industry's own highly optimistic assumptions about energetics and crop yield, two top U.S. scientists demonstrate that corn-starch ethanol is a losing proposition as a replacement for petroleum, and that cellulosic ethanol, although providing more potential fodder for the distillery, still falls short in volume and energetics. The entire U.S. corn crop, they show, would provide only 3.7 percent of our present transportation fuel needs, and the entire U.S. cropland would produce only 15 percent of our needs—by the most optimistic of assumptions. And this option would leave us without domestic food production capability, for human or animal use!

## **Report From Germany**

### **A Sick Economy Is a Hazard to Health**

#### **by Rainer Apel**

the government plans a new round of deep budget cuts in health care, under the guise of 'reform.'

## **International:**

## **Mexican Elections Open Period Of Great Global Struggle**

### **by Gretchen Small**

Mexico's Presidential elections on July 2 have yet to produce a clear victor, despite the official July 6 announcement that the candidate of the ruling National Action Party (PAN), Felipe Caldero'n, won by a mere 243,034 votes of the total of 29.76 million votes cast, over his leading contender, Andre's Manuel Lo'pez Obrador, of the Democratic Revolutionary Party (PRD). Lo'pez Obrador announced that same day that his 'Coalition for the Good of All' will challenge the election results in the courts, and will take his case, that the election has been stolen, to the Mexican people.

## **Israel Escalates War, While U.S. Does Nothing**

### **by Dean Andromidas**

The Israeli attacks against Palestinians in Gaza are threatening to further destabilize the rest of Southwest Asia, with an immediate threat to Syria. As of this writing, a prisoner exchange deal involving the release of at least 100 Palestinian prisoners in exchange for Israeli Corporal Gilad Shalit, who is being held by Palestinian militants, is under intensive discussion, but has not yet been accepted by the government of Prime Minister Ehud Olmert. Instead, Olmert is escalating threats against Palestinian leaders, including those resident in Syria.

## **June in Russia: A Month of Surprises**

### **by Roman Bessonov**

Since his elevation to the Russian Presidency in 1999, Vladimir Putin regularly takes political analysts by surprise. This year it is happening more and more frequently. For professional political analysts, Putin's decisions in diplomacy, foreign trade, and domestic policy, especially when it comes to personnel assignments, bring on real headaches. Forced to give some plausible explanation of the latest trip abroad, or a new appointment at home, the commentators often invent two or three parallel versions of what might be behind it. Sometimes it turns out that all the explanations were wrong, and the real significance of the event is revealed months, or even years, later.

## **Conference Report**

### **Political Change in Russia and Prospects for a New Bretton Woods**

In last week's EIR, we published a first report on our international seminar in Berlin on June 27, which was titled, 'For a New Bretton Woods System.' ...We continue here with the presentations by three Russian analysts: economist Dr. Stanislav Menshikov; physician and writer Dr.

Konstantin Cheremnykh; and economist Prof. Andrei Kobyakov of Moscow State University. Other speeches will be published as they become available.

- **Dr. Stanislav Menshikov**

- Good News and Bad News From Russia**

Dr. Menshikov, a Russian economist, spoke during the afternoon session of the seminar, which was moderated by Dr. Jonathan Tennenbaum.

- **Dr. Konstantin Cheremnykh**

- Don't Believe the Media Line on Russia**

Dr. Cheremnykh is a physician and writer from St. Petersburg, Russia.

- **Prof. Andrei Kobyakov**

- Paradoxes of a Bankrupt World Monetary System**

Professor Kobyakov teaches economics at Moscow State University, as well as the Higher School of Economics, in Moscow. He is the author of books and articles, including *'The Decline of the Dollar Empire and the End of Pax Americana'* (2003, with Mikhail Khazin).

- **LaRouche's Closing Remarks**

- Russia, China, Eurasia And Mankind's Future**

Lyndon LaRouche provided the following response to Dr. Kobyakov. These also were the closing remarks of the seminar.

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## National:

### **McCain-Feingold Target Water Projects**

**by Mary Jane Freeman**

The long-stalled Water Resources and Development Act of 2006 (WRDA), S. 728, introduced in April 2005, has finally been readied for debate in the Senate, but at great cost to the future of the nation's economic well-being. Periodically, WRDA measures are enacted to authorize certain Army Corps of Engineers infrastructure projects; but no WRDA bill has made it through Congress since 2001. Now, a left-right environmentalist elite has succeeded in inserting text into the bill to create an oversight entity, outside of Congressional control which will eviscerate the U.S. Army Corps of Engineers and likely kill urgently needed projects on the nation's 12,000-mile inland waterways.

## Editorial:

### **To Defeat Fascism, You Must Call a Nazi a 'Nazi'**

As we continue to document for all those with the courage to hear, the Anglo-Dutch Liberal bankers, along with the French Synarchists, who created the Nazis, have not gone away. Some of those responsible for Hitler's fascism were prosecuted, but many were not. And now that the terminal crash of the financial system is in process, they intend to take over again—this time, the whole world.

## U.S. Economic/Financial News

### **Derivatives Bubble Grows as System Collapses**

Pyramid schemes must either constantly expand, or they will collapse, and the current derivatives bubble is no different. At the end of 2005, the level of derivatives outstanding at U.S. commercial banks broke the \$100 trillion barrier, ending the year with \$102 trillion, and that number increased to \$111 trillion in the first quarter. The derivatives market took off

after the crash of 1987, and it took 14 years for the commercial banks to hit the \$50 trillion mark, but less than five years to get the next \$50 trillion. The level of derivatives, with some fluctuations, has gone up consistently quarter by quarter, with the glaring exception of the post-9/11 fourth quarter of 2001, when the level dropped from \$51.7 trillion to \$45.5 trillion, suggesting some major disasters papered over during the market shutdown after the attack.

In these days of deregulation, the big banks are organized into holding companies, which include engaging in activities not permitted to the commercial banks themselves, such as investment banking. Adding the extra derivatives held by these subsidiaries to the total yields \$115 trillion in derivatives at the bank holding companies, 89% of which is held by just three companies. JP Morgan Chase, the world's top zombie bank, had a whopping \$54 trillion in derivatives as of March 31, more than the entire U.S. banking system had in September 2002, and nearly as much as the next two banks, Citigroup with \$25.6 trillion and Bank of America with \$23 trillion, combined. The big three are also heavy players in the credit derivatives market: JPMC has \$2.8 trillion, more than twice its \$1.3 trillion in assets; while Citigroup has \$1.1 trillion in credit derivatives against \$1.6 trillion in assets; and Bank of America has \$813 billion versus \$1.4 trillion.

## **U.S. Manufacturing Rapidly Reaching 'Point of No Return'**

Economic figures that the government does not track show that the U.S. has been steadily losing home market to products from overseas, i.e., globalization, assert Alan Tonelson and Peter Kim, of the U.S. Business and Industry Council Educational Foundation, in a *Washington Times* op-ed July 2. "Unless this rising import penetration is reversed, the nation's long-time global industrial leadership and all the benefits it has generated will be irretrievably lost," they warn.

The U.S. Business and Industry Council found that of 112 industries examined, import penetration fell in only four, between 1997 and 2004. "Among the losers were industries critical to the fate of any modern industrialized economy," including aircraft, machine tools, and turbines for power plants. Import penetration rates more than doubled in 19 of the 112 industries. This means imports have seized control of numerous industries that have long fueled U.S. economic growth, productivity gains, technological progress, and high-wage jobs. In seven of 112 industries, imports now represent at least 70% of U.S. market—including machine tools.

Unlike financial indicators, import penetration rates focus on activity that contributes directly to domestic economic growth. A country whose manufacturing sector keeps losing its share of a growing national market is a country with weakening, not strengthening, fundamentals. Without fundamental change, they warn, U.S. industry's decline will be pushed closer to "the point of no return."

## **Honda To Pay Third World Wages in New Indiana Plant**

Greensburg, Indiana will be the site of a \$500 million Honda plant to be built by 2008, according to a Democratic county chair, contacted by the LaRouche Political Action Committee. Headlines all over the state are reporting that workers will be paid \$8 to \$9 an hour. When told that auto union rates are three times that with benefits, the chair responded "I know, but people here are desperate for jobs."

Another Democratic county chair from Carroll County praised the Republican Gov. Mitch Daniels for offering incentives to get Honda to locate in the state, such as a \$1.5 million job training program. When the chair was told that Honda is getting the highest skilled work force in the world for Third World wages, he defended Honda claiming that they will be paying high wages. Governor Daniels announced on the TV news that "Honda is going to feel right at home in Indiana, and you are going to love Greensburg and this part of our state."

## **Nucor Could Be Target of a Buyout Operation**

Dan Dimicco, the CEO of Nucor, the largest steel producer in the U.S., told an interviewer for *thestreet.com* July 21, "When Mittal went after Arcelor, that was an industry life-changing event that tells you that anybody is fair game." Dimicco also reiterated his opposition to a steel futures market, saying, "For us, it's just an attempt by bankers to make money. We have real concerns over the unethical trading in other metals futures markets. I do not believe it will fly for steel." While Nucor is an anti-union scrap recycling mini-mill, they have constructed new steel mills over the past few years, in addition to acquiring bankrupt steel companies.

## **Bush-Man Woodley Opposes Repair of Locks and Dams**

Assistant Secretary for the Army for Civil Works, John Paul Woodley, Jr., a Bush-appointee, prepared a report earlier this year, obtained by Minnesota Public Radio March 7, in which Woodley states opposition to the Corps' desire to rebuild the 39 locks and dams of the Upper Mississippi System. He cites cost-benefit analysis—which has been given a pedigree by a National Academy of Sciences report opposing rebuilding these locks, a report cited by Woodley. "Our basic concern is not that it's not an economically justified project necessarily, but that we don't have the tools that we usually like to see and rely upon to make judgments on the likelihood of economic justification." Woodley's report was submitted to the Office of Management and Budget in April. The Corps has been trying for over 13 years to get the go-ahead to repair the aged locks on the Upper Mississippi.

Woodley, appointed to the Pentagon by Bush 43, earlier served under Virginia Gov. James Gilmore as his Secretary of Natural Resources, "protecting" the environment, and in the state's Attorney General's office.

## **World Economic News**

### **Lazard Is Advisor in Mega-Bid by Veolia**

Lazard is the advisor in a huge bid by Veolia, the world's biggest water company, for Vinci SA, the world's largest builder. Lazard Ltd. was hired by France-based Veolia in Summer 2005, along with Morgan Stanley, to advise Veolia on its hostile takeover plans, according to *Le Figaro* and Reuters. Veolia traces back to 1853, set up by an imperial decree of Napoleon III; it first supplied water to Lyons, then by the 1880s, it had water concessions for Venice, Istanbul, and many other cities. France-based Vinci's building projects include the Channel Tunnel; it also owns Autoroutes du Sud, Europe's second biggest toll-highway concessionaire.

### **Hedge Funds Take Leading Role in Mergers and Acquisitions**

According to a new report by the Morgan Stanley investment bank, hedge funds have built a leading role in recent mergers and acquisitions, with some of these takeovers getting more and more hostile, the *Frankfurter Allgemeine Zeitung* reported July 5.

In the case of the Arcelor-Mittal "merger," hedge funds controlled 78% of the transaction; in the German case of Bayer-Schering, it was 88%. Takeovers are now the most profitable branch of hedge-fund activities (through which they may want to recover certain losses in other operations).

The second quarter of 2006 has been a high time for hedge funds, with a total volume of \$930 billion transacted in mergers and acquisitions; funds hope to make 2006 a new record high, over the year 1999, when mergers had a total volume of \$3.2 trillion.

One may add that the investment funds (which provide the money flows for the takeovers) and the hedge funds collaborate closely with each other. In the case of Arcelor, a record number of 13 investment banks and funds were reported as engaged, which included Lazard's.

## **'While N. Korea Fires Missiles, S. Korea Attacks U.S. Businesses'**

South Korean anti-trust authorities have upheld a ruling against Microsoft, forcing them to de-link their media player and messaging operations from their operating system, and fining them \$34 million, the *Wall Street Journal* reported July 5, under the above headline.

## **Euro Commission: Abolish Restrictions on Hedge Funds**

European Union rules that restrict access by small investors to hedge funds should be abolished, says a report released by the European Commission July 4. The report was commissioned last year by Charlie McCreevy, the EU internal market commissioner, a rabid free-marketeer and deregulator, who has been warning against over-regulating the \$325 billion European hedge fund "industry."

"Retail investor access to appropriately marketed hedge fund-based investments should no longer be taboo," the report says.

The *Financial Times* notes that the report's stance is in sharp contrast to the statements by former German Chancellor Gerhard Schröder, who has called for more restrictions. And just last month, the European Central Bank warned that hedge funds constitute a major risk to global financial stability.

## **ECB Warns Against Asia-Style Crisis in Southeastern Europe**

In a special report presented in Frankfurt, July 5, the European Central Bank sounded a surprise alarm over the risks involved in the excessive borrowings abroad, by Eastern and, especially, Southeastern European countries like Romania and Bulgaria. There, about 50% or more of new borrowings are denominated in foreign currencies, which the ECB says poses the risk of "an Asia-style financial crisis."

The ECB warns of an "Asian scenario" with a "sudden reversal" of capital flows, local and regional turbulences. "Experience shows that such booms ... often end in banking crises," the release announcing the report, says.

# **United States News Digest**

## **Lay's Death and the Lessons of Enron**

Former Enron CEO Kenneth Lay died of a "massive coronary" six weeks after his conviction for his role in the Enron fraud case. Lay, once a friend and big financial contributor to both Bush 41 and Bush 43 who had been hailed by Wall Street and America's financial press as a bold businessman, the CEO of "America's most innovative company," passed away near Aspen, Colorado, while awaiting sentencing. His old friend George W. Bush, who was a leading beneficiary of Lay's largesse and used to refer to him as "Kenny Boy," could say of his passing, through spokesman Tony Snow, only that he was "an acquaintance" of the President, and that "[M]any of the President's acquaintances have passed during his time in office."



Lay's death will be the cause of much pious posturing, as in the lead editorial of the July 6 *Houston Chronicle*, which describes his "untimely" death as "a sad end to a tragic story." Should he be remembered for his charity work, his "civic leadership" in Houston, or for his drive "to gain personal wealth," to which the *Chronicle* and other press attribute the fall of Enron? The editors of his hometown paper seem unsure as to whether they are more upset at the damage done to "Houston's image" by the Enron saga, or at the fact that his death before being sentenced "has cheated the court of final judgment and society of [payment of] its debt, both financial and penal."

Once again, those who claim to chronicle the events of current history are doing a disservice to their readers with this kind of sincere, romantic, typical Baby Boomer cover-up of the actual events which led to the demise of Enron and, ultimately, of Ken Lay. Enron, as *EIR* has covered it uniquely, was used to dramatically advance the cause of deregulation of the banking and financial system of the United States. Enron had ceased long ago to be an "energy" company, but was transformed by Lay and Jeffrey Skilling—with ample aid from the likes of the Lazard/Rothschild, Chase, and Citibank financial swindlers—into a "hedge fund with pipelines."

Perhaps the defining moment for Enron was the California energy crisis in 2001. While Enron's traders were bragging about "f—ing Grandma Millie," by illegally withholding electricity to jack up the rates, Lay was "advising" Vice President Cheney on the virtues of deregulated electricity and energy markets. The subsequent economic collapse of the state of California led to the recall against Gov. Gray Davis and the rise to power of Arnold Schwarzenegger—who, just like the Bush-Cheney regime, was a puppet of Synarchist George Shultz. Of course, Shultz played a leading role, going back to President Nixon and the 1971 breaking up of the Bretton Woods system, which allowed him to impose the deadly policy of deregulation on the U.S. economy.

Were the media to treat Ken Lay honorably, his death could be used as a late warning that the policies he championed in his life, must be reversed, if the U.S. and world economies are to avoid the fate of his corrupt corporation. The business model of Enron could be presented to future economists, not as "greed-gone-wild," but as the inevitable result of allowing Synarchist financiers a free hand. To those Boomer romantics who would whine that the tribulations of the fall of Enron and the subsequent trial broke Ken Lay's heart, we can assert, ironically, that Lay, a self-proclaimed apostle of free markets, might still be alive today, if the post-Depression regulatory policies of Franklin Roosevelt had remained in place.

## **GOP Begins Road Show on Immigration**

July 5 was the first day of implementation of Karl Rove's immigration-election tactic, by which Congressional committee chairmen are holding "field hearings on immigration" around the country during this week's recess. The purpose of the hearings is to allow House Republicans publicly to kick around the Senate's "guest worker" bill, and try to join the immigration debate to the "international war on terror." Congressman Ed Royce (R-Calif) typically held a hearing in San Diego on "Border Vulnerabilities and International Terror." Senator Arlen Specter (R-Pa), chairman of the Judiciary Committee, held a hearing in Philadelphia, focussing on the economic impacts of immigration. And Democrats—who had said they would boycott these shows and campaign for a higher minimum wage during the week—changed their minds and decided to do battle over immigration policy at the "field hearings."

But neither party will bring up the issue of free trade and NAFTA's destruction of the Mexican economy—the clear cause of the mass immigration from Mexico over the past decade.

Senator Edward Kennedy (D-Mass) and Rep. Luis Gutierrez (D-Ill) held a press conference call following Specter's hearing. *EIR* asked the same question—on NAFTA causing mass illegal immigration, and the need to reverse free trade and develop the border—to both Gutierrez and Kennedy. Each of them, in succession, disappeared from the call, upon being asked that question. After Kennedy's disappearance, the call ended, with reporters both laughing and grumbling at what had happened.



## **Neo-Cons Are Democrats, Too**

Anti-war.com scored the Democratic Party's neo-con problem of fascism, in a July 5 column by Justin Raimondo identifying Sen. Joe Lieberman as following in the fascist footsteps of "Truman Democrats" and "Scoop Jackson Democrats." Neo-conservatives "are usually thought of as being exclusively Republicans, but this ignores their history as a political and ideological tendency and the background of the Scoop Jackson Democrats, notably Richard Perle, a Jackson aide; Elliott Abrams, former chief of staff to Sen. Daniel P. Moynihan; and such neo-con notables as Ben Wattenberg, Joshua Muravchik, and Marshall 'The Moose' Wittmann, the present-day sage-in-residence at the Democratic Leadership Council (DLC), the main organizational caucus of these latter-day Jacksonians."

## **Lieberman To Run as Independent if He Loses Primary**

Senator Joe Lieberman (D-Conn) seems bent on proving the veracity of a campaign commercial by his Democratic primary opponent Ned LaMont. Lieberman told CNN on July 3 that if he loses the August primary to Lamont, who is campaigning as the anti-war candidate, he will attempt to run as an independent in the November elections.

The Lamont campaign has been running a TV commercial with Lieberman's voice endorsing the war on Iraq and other Cheney/Bush regime crimes. While Lieberman speaks, Bush is seen mouthing at the podium. Then a voice-over is heard: "If it talks like a Bush, and acts like a Bush, it can't be a Connecticut Democrat."

Democratic Senate leader Harry Reid and Sen. Chuck Schumer (D-NY), chairman of the Democratic Senatorial Campaign Committee, are backing Lieberman in the primary, but, through a spokesman, have refused to say what they will do after that.

Current polls indicate that Lieberman would win as an independent in a three-way race in November. But then, polls used to indicate that he would coast to an easy win in the primary.

## **Rahm Emanuel: 'I Do Not Work for Lazard Freres!'**

Long-time Chicago Democratic Congressman Rahm Emanuel, head of the Democratic Congressional Campaign Committee (DCCC), which decides which Congressional candidates the Democratic Party will fund, was confronted by veteran LaRouche activist Gerald Pechenuk June 30. Pechenuk printed out Emanuel's top 10 contributors in preparation for an intervention at Rahm's scheduled handshaking event at a supermarket. The contributors include Lazard Freres at \$10,800, Avenue Capital Group (buys bankrupt companies) at \$16,000, and Madison Dearborn Partners (mergers & acquisitions) at \$14,000.

Confronted with this, Rahm said, "I'm done with you," and ostentatiously refused even to look at the literature the LaRouche organizers gave him—the Rohatyn material and the Emergency Recovery Act.

But Emanuel blurted out, "I do not work for Lazard Freres," as Fox TV filmed the scene.

## **Senators React to Supreme Court Decision on Gitmo Trials**

The July 3 Sunday talk shows were dominated by Senate fallout from the Supreme Court's slapdown of the Bush Administration's plan for military tribunals for suspected terrorist detainees at Guantanamo Bay prison:

\* Appearing on NBC's "Meet the Press," Sen. Chuck Schumer (D-NY) said he had sent a letter July 2 to Attorney General Alberto Gonzalez asking for a review, in light of the Supreme Court ruling, of "all their other arrogations of power" (including warrantless wiretaps), where the "Administration just said, unilaterally, 'we can do whatever we want.' That's not how the United States works."

\* Senator Dianne Feinstein (D-Calif) said the Court's ruling "was that the President exceeded his authority," adding, "I do think this applies to the terrorist surveillance program." "The President is somewhat bridled by the Constitution and the law ... and he must follow this in this war on terror," she said on ABC's "This Week" program.

\* Senator Arlen Specter (R-Pa), chairman of the Senate Judiciary Committee, said he has scheduled a hearing July 11 for Congress to devise rules for military commissions. "We ought to work with the Administration to try to structure rules that will comport with the Supreme Court decision, but still protect national security interests," he said on CBS's "Face the Nation."

Meanwhile, appearing on "Fox News Sunday," Sen. Lindsey Graham (R-SC) railed against what he called a "breathtaking" decision by the Supreme Court affirming Geneva Convention protections for al-Qaeda members being held in prison. "The Geneva Convention cannot be used in the war on terrorists to give the terrorists an opportunity to basically come at us hard without any restrictions on how we interrogate and prosecute."

Likewise, Sen. Mitch McConnell (R-Ky), appearing on NBC's "Meet the Press," called the decision "very disturbing."

## Ibero-American News Digest

### LaRouche Comments on House Arrest of Echeverria

On July 1, *EIR News Service* issued the following press release:

"I found the announcement of the house arrest of former Mexican President Luis Echeverria, who is charged with responsibility for the violence unleashed in Mexico in 1968, most curious," the renowned U.S. statesman and economist Lyndon LaRouche stated today.

"As I recall, Echeverria was a target of the PAN (National Action Party) at the time. And as I know in detail, on the basis of privileged intelligence from the 1920s through the 1960s, that the PAN was created by the fascist Synarchist interests that also put Hitler, Mussolini, and Franco in power, I was extremely amused that the current PAN government of Vicente Fox is now accusing Echeverria in relation to the 1968 events.

"1968," LaRouche continued, "was a classical Synarchist destabilization operation, in which they deployed their forces both on the right and on the left, to produce the desired result. It is the PAN and its Synarchist masters—and not Echeverria—that should be investigated for the 1968 events."

### Kirchner: We Must Integrate To Produce, Develop

"I am convinced that integration is the great political enterprise of our time," said Argentine President Nestor Kirchner in his July 4 speech to the Caracas summit of Mercosur (Common Market of the South) Presidents, at which Venezuela was officially inaugurated as the bloc's fifth permanent member (along with Paraguay, Uruguay, Argentina, and Brazil). Bolivian President Evo Morales was present also as a special guest. The Cheneyacs no doubt cringed at Kirchner's six

reported speeches in Caracas, which culminated in his July 5 address before Venezuela's National Assembly on the country's Independence Day. As in all his addresses, he repeated that South America is "at an inflection point," with the potential to change history. "The winds of change are blowing across Latin America," he declared.

The previous day, as he spoke to Mercosur heads of state, Kirchner explained that integration is necessary because "the simple logic of the market which excludes people cannot carry us ... toward development and wellbeing ... the markets and free trade don't guarantee our development with inclusiveness. Integration is much more than liberalizing trade. It is setting the goal of building a great political community which promotes production."

Without infringing on any nation's independence or their own realities, Kirchner said, integration requires a "broadened concept of sovereignty" in which a group of nations can fight for things that individual nations can't do by themselves. "Today, we have the sense that we are taking big steps toward an effective South American integration; ... steps toward a Mercosur more focussed on production ... with more initiatives on the development of infrastructure projects; more efficiency in financing productive regional projects." And, he added, don't lose sight of the fact that integration is also "a battle of ideas, and as such, it also has its adversaries; among them, those who long for the days of automatic alignment" (i.e., when it was a given that nations would automatically stand with the U.S. on every issue).

Greeted at his National Assembly address with much applause and several standing ovations, Kirchner warned that those "who want to stop history," by categorizing South American governments as "populist ... or not" are making a big mistake. "Our governments are not populist or demagogic. We represent national interests" and must act with courage and conviction, which is what the present situation demands.

## **Argentina, Venezuela To Issue 'Bond of the South'**

Argentina and Venezuela will issue a bi-national bond, tentatively called the "bond of the South," which could represent early steps toward creating a regional bank to finance projects, the Presidents of both countries announced after meeting privately July 4 and signing a "strategic alliance" between the two nations. Argentine President Nestor Kirchner explained that the details of the new bond would be worked out over the next 60-90 days, but that the idea is to generate income "to consolidate strategic processes of investment," and create a healthy capitals market offering good rates.

This proposal came from the Argentine government and was presented to the Venezuelan Finance Ministry a month ago where it was warmly received. Argentine government sources told the daily *Clarín* that the proposal is intended to be more than a bilateral arrangement, eventually issuing a bond backed by all Mercosur member nations, which would lower the financial cost of the bond issuance. It would create an independent source of financing, and as Kirchner stated in his July 4 speech to Mercosur heads of state, "it could be the beginning stages of creating a bank, and a financial space for the South, that would also allow us to generate our own chains of financing to provide responses to what our region and our societies are hoping for."

## **Argentina Extends a Hand to Bolivia**

Bolivian President Evo Morales and Argentina's Nestor Kirchner signed an agreement in Buenos Aires on June 29, by which Argentina will pay \$5 per million BTUs for Bolivian natural gas, up from the current \$3.20 per million BTUs. Speaking at the signing, Kirchner called on all of Ibero-America to help Bolivia "rise up from the ashes" where neoliberalism had discarded it, so Bolivia can occupy its proper place among the nations of Ibero-America. Praising the contribution which Bolivia's largely poor immigrants have made to Argentina's economic growth, he insisted they must be treated with dignity, not as slave labor. He once again insisted: Latin America has been forgotten, relegated to obscurity, but "it is our job as Presidents to forcefully regain, along with our people, love of Latin America, of our land, jobs, production ... to regain our pride in being brothers and sisters of Latin America."

"This is a stellar moment, for Bolivia, for Argentina, and for South America," Roger Ortiz Mercado, Bolivia's Ambassador to Argentina, told the Argentine news service Telam the next day. Unlike in the past, today "our two peoples are more conscious of their history and their real legacy, which is the human being. This creates a fertile space for bi-national and South American integration," he said.

The key is the political leadership offered by Nestor Kirchner and Evo Morales, he added. When neo-liberalism reigned in Bolivia, as under former President Gonzalo Sanchez de Lozada, "we didn't have partners, visits or Presidential agreements, because we were subject to private interests, and profit. Today we see that both our Presidents are seeking the welfare of their people, to regain their sovereignty and dignity."

### **Lazard-Linked Lavagna Attacks Kirchner (Again)**

Former Argentine Finance Minister Roberto Lavagna is stepping up his attacks on President Nestor Kirchner's economic policy, as part of a possible Presidential bid backed by former President Eduardo Duhalde. Duhalde, President in 2002-2003, with Lavagna as his Finance Minister, hired the synarchist Lazard Freres as financial consultant to aid in the government's debt restructuring negotiations with the vulture funds. Fired by Kirchner in November 2005, Lavagna now claims that he, not Kirchner, is the architect of Argentina's financial recovery, alleging that it "began in 2002"—when the country was in the depth of its desperate economic crisis.

In a June 27 speech before the Professional Economics Council, Lavagna responded to Kirchner's recent speeches on behalf of the general welfare, stating that while the state shouldn't be absent from economic activity, "nor should it invade private activity." Arguing that Kirchner's talk of improving income distribution by heterodox means is mere "rhetoric," he demanded respect for "regulations and contracts," a reference to foreign-owned utilities that have been stymied by Kirchner in their attempt to raise rates. Earlier this year, Lavagna opposed the government's decision to set up a new state-sector company and invest in water and sanitation infrastructure, after Kirchner ousted Felix Rohatyn's Suez Co. from Argentina for failure to build the infrastructure its contract demanded.

## **Western European News Digest**

### **Labour Losses in By-Elections Could Hasten Blair Demise**

On June 29, British Prime Minister Tony Blair's Labour Party suffered devastating defeats in two by-elections, one in a London suburb and the other in Wales. As a result of the election losses, Blair himself is facing increased pressure to step down as Prime Minister. A majority of Cabinet ministers are said to believe that Blair will harm his reputation and the Labour Party if he carries on as leader past next spring.

The election disaster is also threatening Blair's policy on Iraq. Clare Short, who quit Blair's Cabinet in protest over the decision to go to war, is leading an insurgent grouping of 30 MPs from both Labour and the Liberal Democrats who have tabled an amendment requiring Chancellor of the Exchequer Gordon Brown to report to Parliament annually on the cost of maintaining British troops in Iraq. Short, the former International Development Secretary, had supported Brown to succeed Blair as Prime Minister, but withdrew her support after Brown backed a replacement for Britain's Trident nuclear submarine.

### **German Defense Minister Ends Military Privatization**

Following the recent cancellation of contracts with the GEBB, a private company supplying the German armed forces with food, equipment, and non-food stuffs, Defense Minister Franz Josef Jung announced the reversal of planned privatizations of army real estate and administrative functions.

"For me, efficiency of the armed forces is the priority, rather than privatization for privatization's sake," Jung said, adding that privatization does not, as its advocates always claim, automatically imply less bureaucracy.

## **Germany Makes Relations with Eastern Europe a Priority**

In a draft paper for the German EU Presidency, which will occur during the first half of 2007, the planning staff of the Foreign Ministry has proposed increased economic cooperation with Ukraine, Belarus, Georgia, Moldova, Armenia, and Azerbaijan, according to the *Frankfurter Allgemeine Zeitung* July 3. The success of that design, the paper rightly states, depends on close cooperation between Russia and the European Union, something which Germany definitely wants.

The *FAZ* leak leaves many questions unanswered, such as, how can one hope for positive economic cooperation under Maastricht conditions? But generally, the paper seems to be taking a step in the right direction.

## **Berlin Is Ideal Location for Air Freight to Asia**

Rainer Schwarz, CEO of the FBS firm that runs the Berlin-Schoenefeld airport, spoke about Asian perspectives for air freight, in a June 30 interview with the *Maerkische Allgemeine* daily.

Schwarz spoke about the planned expansion of the Schoenefeld airfield, pointing out that Berlin's location near Germany's eastern border offers airlines a route which is one hour shorter for flights to Asia. As round-the-clock operation at Schoenefeld is not possible, the expanded airfield there will not have the potential of becoming a major hub for air freight to Asia, Schwarz said; however, more air freight will be handled by Schoenefeld in the existing framework, because there is a demand for it.

Schwarz's arguments also apply to the idle airfield at Sperenberg, in south Berlin's, which could be renewed and revitalized—perhaps even in conjunction with Schoenefeld. The Asian air freight issue has received more attention recently, because of election campaigns in Berlin.

## **Is Someone Trying to Undermine German-Polish Relations?**

A bizarre crisis which has developed in recent days between Poland and Germany indicates that there are people in the two countries, as well as third forces, who wish to sour German/Polish relations. The issue was that on July 3, Polish President Lech Kaczynski cancelled his attendance at three-way summit in Weimar, of the German, French, and Polish Presidents, reportedly due to illness. However, it was also reported in the Polish press that the President was personally offended by a satire which appeared in the Berlin daily *Tageszeitung*.

The Polish President's office a few days later compared the language of *TAZ* with the violently anti-Semitic Nazi-era paper *Der Stuermer*. In response, the German government spokesman Ulrich Wilhelm said that the government will not react to press reports, and that Germany strives to have good relations with "our important and big neighbor." Meanwhile, Polish Foreign Minister Anna Fotyga called for postponing a parliamentary debate on German-Polish relations, and eight former Polish foreign ministers have signed a letter to President Kaczynski criticizing him for cancelling the summit in reaction to the *TAZ* article.

## **Italians Arrest Two SISMI Officers in CIA Kidnapping**

Three CIA agents and one other American are still being sought for the 2003 crime in Milan, run through the Aviano Airbase, in which an Egyptian national was kidnapped. The Italians were at the time the director of the international terrorism division of SISMI (Italian military intelligence), and the head of operations in the north. Press sources say their names are Marco Mancini and Gustavo Pignero.

Former Prime Minister Silvio Berlusconi had repeatedly denied that SISMI was involved in the kidnapping, and refused a demand that 22 U.S. officials be extradited to Italy. Prosecutor Armando Spataro says he will renew the request with the new Italian government.

## **Deputy PM Prescott Caught in Conflict of Interest**

British Deputy Prime Minister John Prescott may be forced to quit over the latest scandal involving his seven meetings with American billionaire Philip Anschutz, including a stay with several civil servants at the tycoon's ranch. The stay followed three months after Anschutz purchased the Millennium Dome in Greenwich, London with plans to build a supercasino there. In lieu of payment for the ranch stay, Prescott directed public money to a charity. A complaint about the stay and the meetings was lodged by the shadow Culture Minister Hugo Swire, and a preliminary investigation by Standards Commissioner Sir Philip Mawer has begun.

Prescott must enter his stay and meetings into the House of Commons Register of Members' Interests with the preliminary finding that there may be a conflict of interest involved. If the preliminary investigation finds intimations of wrongdoing, there may be a full investigation by the Commons Standards and Privileges Committee, which has the power to discipline Prescott by suspending him from the Commons for a number of days if he is found guilty of any wrongdoing. Prime Minister Tony Blair has so far backed Prescott 110%.

## **Valencia Metro Accident Is One of Spain's Worst**

An underground train derailment in Valencia, Spain July 3, leaving 41 people dead and 47 wounded, is the worst in the country's history, *El Pais* reported July 4. While, from the official side, it is reported that it was probably an accident, the final investigations, including examining the black box, have to be completed. The train accident happened days before Pope Benedict XVI arrived for an official visit to Valencia—the Pope in fact arrived in Valencia on schedule, on July 8. However, public festivities which were planned, like the Pope's participation in the "Feria de las Familias" (Fair of the Families), will be cancelled.

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

### **Ukraine's 'Orange Revolution' Redux Fizzles**

The attempt at reconstituting an "Orange" coalition to govern Ukraine, after inconclusive March Parliamentary elections, went into a tailspin July 7, when the Socialist Party defected from its alliance with President Yushchenko's Our Ukraine and the Bloc of Yulia Tymoshenko. The Socialists joined with the Party of Regions (POR) and the Communist Party, in electing their own man, Socialist Party leader Alexander Moroz, as Speaker of the Supreme Rada. With this crumbling of the "Orange" deal, the way was opened for a different government coalition. The Socialists are joining with the same Communist Party and POR, to back POR leader Victor Yanukovych—the man defeated in the 2004 Orange Revolution—as Prime Minister.

POR spokesman Taras Chornovil said July 7 that this combination would form an "anti-crisis" government, while Yanukovych continues to hold the door open for Our Ukraine and others to join, in a "grand coalition." The next day, Yanukovych announced that relations with Russia would be rethought, because, "We must return to a calm, reasonable and self-assured tone in Ukrainian foreign policy, especially in our relations with Russia." The POR leader added that his party was developing an action plan for the current crisis, in which "Ukraine has never been so close to the edge of an economic abyss as it is today, and we are facing a national catastrophe."

Tymoshenko, who was supposed to have returned as "Orange" Premier (her main achievement, the first time around, having been the sale of the country's largest steel plant to asset-stripper Mittal), accused the Socialists of treachery. She declared that the Orange Revolution had ceased to exist. The Socialist move was a surprise, which many observers rushed to link to Moroz's own ambitions. Yet, it should be noted that throughout the "Orange" negotiations since the March elections, the Socialists' refusal to endorse the others' unconditional commitment to join NATO, had been a major obstacle.

Lyndon LaRouche commented that the Orange Revolution has turned yellow. He said the development indicated a "sleeper," something done in the context of the G-8 summit. It's the Russians striking back, or rather, the Russians and the Near Abroad: the Orange crowd was on a confrontation course with the Russians, and that relevant Russians pulled their cards. Enraged reactions can be expected from the United States and Poland, LaRouche said.

### **Putin Insists Economy Must Develop Through 'Innovation'**

In a July 6 webcast, Russian President Vladimir Putin answered questions which came in from all over the world. Nearly 157,000 questions came to the Russian collection site alone. Another 5,000 questions were submitted through the BBC, whose correspondent Bridget Kendall, however, was permitted to pick about half the questions actually put to Putin, which resulted in a bias in the direction of the Western media's favorite litanies. The far greater number of questions submitted through Yandex.ru, but not put to Putin, included hundreds of thoughtful questions from Russian citizens about possible improvements in economic policy. For example, 13 questions cited Putin's own reference to Franklin Delano Roosevelt (a few on the appropriateness of a President serving a third term, in a time of crisis; the others on using FDR's methods to address the economic crisis), and at least 315 proposed better ways to invest Russia's Stabilization Fund, such as in the real economy inside the country, rather than in "risky foreign financial paper."

Questioned about North Korea's missile tests, Putin cited the Russian Foreign Ministry's official expressions of concern about the missile tests, but urged that "emotions not overwhelm common sense." He said the negotiation process should resume. On Iran, the Russian President urged that the question of its nuclear program be returned to the IAEA, not the UN Security Council.

Putin's responses to economic questions began with a deft destabilization of Kendall. The British reporter asked about "the main topic for the G-8 summit—energy security," asserting that "many people in Europe are worried about the reliability of Russian supplies, especially after you turned off the gas to Ukraine in January." In reply, Putin interrogated Kendall about the price-tag on her ritzy necklace, asking her why, if "you'd hardly sell it to a man in the street for peanuts, Russia should give away its property and its natural resources for peanuts?" Putin then justified the calculation of the natural gas price for sales to Ukraine on a new basis, agreed to by President Yushchenko, attacking the press hysteria over this as pressure on Russia. He brought up the way in which the low gas prices in Ukraine, maintained for many years, had—under conditions of globalization—set up Ukraine to have the guts of its industrial capacity grabbed by sharks. In particular, "If you want us to supply our gas to Ukraine at dumping prices, you must understand that you are getting us to help you create a non-competitive environment for certain economic sectors in Europe. So Mittal Steel acquired the biggest steel company in Ukraine, Kryvorizhstal. And what if they can get gas for \$50 per thousand cubic meters, while Arcelor's plants in Germany have to pay \$230?"



Putin enunciated his reformulated economic priorities for Russia (even while also repeating the old dicta about not letting oil revenue fan inflation by spending too much of it inside the country): "First of all, one of our main tasks in economic development is the diversification of our economy. We want to make it an innovation economy. That is why we established the Investment Fund, where money will be allocated chiefly to develop infrastructure, and innovation. That is why we are now setting up a Venture Fund. This is why we have adopted laws and established special economic zones, earmarked for the development, first and foremost, of high-tech. That is why we are creating special conditions for the development of, for example, nanotechnologies."

## **Russians Concerned About Georgia G-8 Provocation**

The Russian co-moderator of President Putin's July 6 webcast selected a question on whether President Michael Saakashvili of Georgia were not planning a military operation in the unrecognized autonomous area of South Ossetia, during the July 15 St. Petersburg G-8 summit. Rumors of this are flying around the Russian-language Internet, especially after Saakashvili visited Washington. Putin replied that it would be an "unforgivable blunder" and "a provocation" to initiate new bloodshed in the Transcaucasus. Saakashvili met with President George Bush at the White House on July 5, eliciting a promise of support for Georgia's attempt to join NATO. "We'll work with our partners in NATO to see if we can't make the path a little smoother for Georgia.... Georgia has got work to do, and the President understands that. And I'm a believer in the expansion of NATO," Bush told reporters.

Even as popular dissatisfaction with Saakashvili's rule is on the rise at home, Saakashvili spoke to a fawning crowd at the American Enterprise Institute, indicating his own role as enforcer for the financial oligarchy. "When I came to power, the electricity system in Georgia was so bad that I would have sold it for a dollar to any private enterprise to take it over," he said. The sale was made, though the price was marginally higher. Speaking to the *Washington Post*, Saakashvili warned that if his regime in Georgia fails, it will spell the end of the "colored revolutions," which have already started to fade.

## **Putin: Russia Prepared To Live Without WTO**

Addressing representatives of the International Chamber of Commerce on July 4, Russian President Vladimir Putin pointed out that the United States is the only country which has not reached agreement with Russia on the latter's joining the World Trade Organization. "We think that in many ways the Russian economy is a lot more open and liberal in the way it functions, than the economies of some longstanding WTO members," he said, but added that "If for some reason we do not manage to reach a final agreement, then we will, of course, no longer consider ourselves bound by certain agreements that we have not only accepted, but have also been implementing, without yet having joined the WTO."

On other recent occasions, including his July 6 webcast, Putin has expressed exasperation about various WTO-related demands. In reply to a webcast question about WTO membership threatening to "bury" Russian agriculture, and some other sectors, Putin described the alleged advantages of WTO membership in terms of "the opinion of those who advocate Russia's joining the WTO." He promised that Russian agriculture would be protected. But, most of all, he said, "I particularly wish to draw your attention to the fact that we shall not agree to conditions we consider unacceptable." These include the removal of barriers to foreign banks opening branches in Russia.

## **Dialogue of Religions Conference in Moscow**

President Vladimir Putin addressed 100 religious leaders from 40 countries at the July 3 Dialogue of Religions conference in Moscow. Putin underlined Russia's status as a model for "intercivilizational dialogue," and slammed any attempt to "drive a wedge" between Christianity and Islam: "Attempts are being made to divide the world according to religious or ethnic membership, and above all drive a wedge between Christian and Islamic communities and provoke a clash of civilizations," Putin said. Metropolitan Kirill of the Russian Orthodox Church said that the conference discussed issues

relevant to the G-8 summit, which opens in St. Petersburg on July 15.

## **Nazarbayev Speaks in Washington About the SCO**

While visiting the USA to prepare an upcoming state visit by President Nursultan Nazarbayev of Kazakhstan, that country's Foreign Minister Kazymjomart Tokayev spoke July 6 to think-tankers and students at the School of Advanced International Studies. In his remarks, Tokayev referred briefly to the Shanghai Cooperation Organization (SCO). Knowing that the SCO had been met at best by a cold silence in Washington, he reiterated that the SCO was an organization for important regional cooperation, not directed against any other party. The Ambassador also noted the SCO's role in the creation of "transportation corridors" in the region.

In reply to a question from *EIR* on the recent SCO summit's economic discussions, as a step towards realizing the Eurasian Landbridge concept, Tokayev underlined the importance of the SCO's economic relationships. "The SCO has a universal agenda," he said, "and Kazakhstan will work to give the SCO a well-balanced direction. The agenda of the SCO is quite unique in promoting trade and ties between the nations of our region. At the same time, our priority has been transportation. We have completed one railroad from Chinese territory through Kazakstan to Europe, and we are preparing to build a second one."

Tokayev went on, "Engaging Iran is important, because of the need to gain access to the Persian Gulf. We are working on a second pipeline to China in order to provide them with energy." He noted that Russia and Kazakstan had set up a fund of \$1 billion to provide loans to the poorest SCO countries.

## **Southwest Asia News Digest**

### **Rumsfeld Pentagon Unable To Cover Up Murders in Iraq**

A well-placed U.S. intelligence expert on Southwest Asia and the Arab world told *EIR* last week that the Pentagon and the Bush White House are trying to quickly bury and cover up the March 12 rape and murder of a young Iraqi woman and the murders of her family by U.S. soldiers, but this effort will not succeed. *EIR's* source pointed to the June 29 Supreme Court decision outlawing the secret tribunals scheme that the Bush Administration set up under its claim of the powers of the "unitary executive," as one factor in preventing a coverup. The source said the Supreme Court ruling was a major institutional slap against the Administration, especially against Dick Cheney, whose office was the prime mover of the secret prisons/torture policies.

The incident in Mahmoudiyah, south of Baghdad, has become a rallying point for Iraqi protests and rage at the United States. On July 5, Prime Minister Nouri al-Maliki demanded an independent inquiry of the rape/slaying of the young woman, and said that immunity from Iraqi prosecution enjoyed by U.S. forces "encouraged them to commit such crimes." He called for a review of U.S.-led coalition troops' immunity from prosecution by Iraqi courts.

"We believe that the immunity given to members of coalition forces encouraged them to commit such crimes in cold blood; that makes it necessary to review it," al-Maliki said in Kuwait, AP reported July 8.

The U.S. government moved rapidly against the alleged killer—Army Pfc. Steven D. Green—who has been charged in Federal court in Charlotte, N.C., with rape and four counts of murder. At least four other U.S. soldiers still in Iraq are under investigation in the attack.

Al-Maliki's statement about reviewing the immunity of U.S. soldiers, which was declared by the Paul Bremer U.S. Occupation Government in 2003, has panicked the U.S., and U.S. Ambassador Zalmay Khalilzad issued an immediate apology—one of the few apologies the U.S. has made. The usual Bush Administration line is to say that the U.S. "regrets" that civilians were killed.

On the military side, U.S. Army Maj. Gen. William Caldwell said that no American soldier is above the law, but only promised that U.S. law would try the soldiers. He also indicated that the U.S. will pressure al-Maliki to drop any intention of lifting immunity for U.S. soldiers.

The unit is the same one from which U.S. soldiers were abducted, and then found dead and brutally mutilated in early June. But Gen. Caldwell said there was no evidence (so far—ed.) that the abduction was a revenge act related to the rape/killings.

Experts on Iraq told *EIR* that revenge would be highly likely in such a case. Especially when a coverup is going on. An immediate question, being asked by Americans and Iraqis, is why did it take so long—over three months—for the U.S. to open a probe of the incident. According to AP July 1, a sheikh from the dead family's tribe immediately called the incident in to the Iraqi police. But, the U.S. probe only began on June 24, one day after two soldiers "reported alleged coalition force involvement" in the crimes. AP added that the rape and killings came to light after a soldier—who was in the unit, but not part of the attack—felt compelled to talk about it in "a counseling-type session," which apparently followed the killing of the two American soldiers from his unit.

This is the fourth major case of alleged U.S. multiple murders of Iraqi civilians now under investigation. The revelation came close on the heels of the investigation of the killing of 24 Iraqi civilians in Haditha, in November 2005 (and not revealed until months later).

## **Hersh: Revolt of Generals Forced Bush To Table Nuclear Attack vs. Iran**

In a lengthy article in the July 10 *New Yorker*, investigative journalist Seymour Hersh reviews the current state of warfare inside the Pentagon, over the Cheney-Rumsfeld drive for regime change in Iran.

Among the highlights of Hersh's article: In April, "the military leadership, headed by [Marine] General [Peter] Pace, achieved a major victory when the White House dropped its insistence that the plan for a bombing campaign include the possible use of a nuclear device to destroy Iran's uranium-enrichment plant at Natanz." Hersh cites an unnamed former intelligence official who told him that the White House backed down, in the face of opposition from the Joint Chiefs of Staff, and accepted the idea that the nuclear option was "politically unacceptable."

Hersh noted that the backdown by the White House came during the "April Revolution," i.e., the protests by a number of retired generals, who demanded Rumsfeld's ouster for his failures in Iraq, and his refusal to 'fess up to major policy disasters there, or to change course.

Hersh also noted that Vice President Cheney and Defense Secretary Rumsfeld have the backing of the "strategic bombing" crowd inside the U.S. Air Force, who believe that "shock and awe" bombing is the key to ending Iran's nuclear-weapons program—even if the nuclear-weapons option has, as Hersh claims, been taken off the table. Hersh reported that the Air Force has devised a plan to launch a succession of bunker-buster conventional bomb attacks on Natanz that would have the cumulative effect of a nuclear bombing, without the radioactive fallout.

## **Iraqi Sunni MPs Boycott Parliament as Violence Rages**

Two days following the July 1 killing of 66 people in Baghdad, the political crisis in Iraq escalated, as Sunni MPs boycotted the Parliament, demanding the release of a colleague who had been abducted. Taiseer Najeh Awad al-Mashhadani, a Parliamentarian from the National Concord Front, was kidnapped in Baghdad with eight bodyguards. Next, a roadside bomb exploded as the convoy of a Shi'ite MP from the Iraqi National List, of former Prime Minister Iyad Allawi. Then, on July 4, Deputy Electricity Minister Raad al-Harith was ambushed and kidnapped by men in seven cars, who blocked his convoy. The kidnappers were in uniform.

Meanwhile, Prime Minister Nouri al-Maliki started his tour of the region, visiting Saudi Arabia, where he called for Saudi investments. Speaking at the Chamber of Commerce and Industry in Jeddah, he said, "The security problems are not in all of Iraq, but rather they are confined to Baghdad," and urged businessmen to finance infrastructure projects. He was to also visit the UAE and Kuwait.

U.S. Ambassador to Iraq, Zalmay Khalilzad, who was one of the original planners of the unjustified war, then told BBC in an interview published July 4, that the killing of al-Qaeda leader Zarqawi, has had no impact on the violence in Iraq. He said the killing had encouraged "other insurgent groups to reach out, because some were intimidated by Zarqawi," but that the level of violence had remained the same. He was non-committal about the progress—or lack thereof—of insurgents response to an offer of amnesty by the Iraqi Prime Minister.

## **Russia, China Urge Iran To Accept Nuclear Offer**

On the eve of talks between European Union Foreign Policy Chief Javier Solana and Iranian negotiator Ali Larijani June 27, Chinese Foreign Ministry spokeswoman Jiang Yu said in Beijing: "The Iran nuclear issue is at a crucial phase and the urgent task is to help resume the talks as soon as possible. We hope that Iran will pay attention to the concerns of the international community and respond as soon as possible to the basket of proposals." She added: "We also hope that the other sides will exercise patience and restraint, and seriously consider Iran's reasonable concerns."

Russian President Vladimir Putin stated: "We really would like our Iranian partners to accept the proposals," adding that he hoped it would happen before the G-8 meeting in Moscow that begins July 11.

Then, the informal dinner meeting on July 6 between Solana and Larijani went well, according to Solana's spokeswoman. "It's a good start for what we expect will be a positive meeting July 11," the spokeswoman said, adding, that the aim of the EU was to get negotiations started as soon as possible, and also stressed that "We are not using the word 'deadline.' "

Solana met with Iranian negotiator Larijani in Brussels, in a tête-à-tête dinner, attended only by an interpreter. No details were released about the content of the talks, but Larijani had said earlier that Iran was serious about negotiations, and Solana had warm words of welcome for his Iranian guest.

Meanwhile, IAEA chief Mohamed ElBaradei, in Ankara, Turkey, said he was optimistic that a diplomatic solution could be found. "There is no other option than the diplomatic route," he said. "I am always very optimistic about a diplomatic solution.... The military solution is not an option." He added that since the IAEA does "not consider Iran as a country that could produce atomic weapons tomorrow, ... for this reason, I think we still have time for diplomacy."

ElBaradei also talked with Turkish government leaders about that country's desire to develop nuclear energy. He said Turkey could help promote a diplomatic solution to the Iran crisis.

## **Asia News Digest**

## **Attempt To Fire Up a Crisis Over NK Missile Fizzles**

North Korea test-fired its Taepodong-2 long-range missile on July 4, but it exploded after 40 seconds, and fell in the Sea of Japan. They also test-fired six other short-range missiles. Lyndon LaRouche noted that the Cheney faction was clearly goading North Korea to test its missiles, hoping to manufacture yet another crisis and artificial justification for war.

Although no laws or treaties were broken, the U.S. Ambassador to the UN John Bolton and the Japanese Ambassador called a closed-door UN Security Council meeting July 5, where they demanded sanctions against Pyongyang. Security Council President France announced after the meeting that there was an "agreement in the room that the Council should act swiftly and firmly." However, Russia and China absolutely oppose sanctions. The Russian Ambassador to the UN stated that Russia proposed only a Presidential statement condemning the tests, and that he would "caution against whipping up emotions too much." China, which announced the previous day that it was sending Vice Premier Hui Liangyu to Pyongyang on the anniversary of the China-DPRK friendship treaty next week, called on "all relevant sides to remain calm and restrained." South Korea intends to proceed with already-scheduled cabinet-level meetings between the North and South next week.

By July 6, Washington was toning down the rhetoric. U.S. Assistant Secretary of State Chris Hill, who is also the chief U.S. negotiator at the six-party talks on North Korea, went to China to meet with his Chinese counterpart, Deputy Foreign Minister and six-party negotiator Wu Dawei, on July 7. Wu is then travelling to North Korea for a week of discussions. President Bush, in a July 7 press conference, repeatedly emphasized the need for time for diplomacy to work.

A *Washington Post* editorial July 7, speaking for the synarchists, continued fanning the flames of war: "If China and South Korea are unwilling to act," then the proposal by former Defense Secretary William Perry and his assistant Ashton Carter, published in the *Post* the previous week, to militarily take out the North's missile sites, "must be an option for the future."

## **AP Lies that North Korea Issued Nuclear War Threat**

An Associated Press wire, carried around the world on July 3, screams: "N. Korea Warns of Nuclear War if Attacked." The operative phrase, taken from the KCNA, the North Korean news service, reads, with grammatical vagueness typical of the news service: "The army and the people of the DPRK are now in full preparedness to answer a pre-emptive attack with a relentless annihilating strike and a nuclear war with a mighty nuclear deterrent." Had a comma been inserted after "annihilating strike," it would be clear that the intent of the phrase was to warn of a nuclear response to a nuclear attack—not to a conventional attack. AP fraudulently chose to ignore this obvious intention.

The KCNA, following the AP lie, changed the wire to state that the U.S. is "set to ignite a nuclear war," and that the DPRK is "compelled to bolster its deterrence."

## **China, India Parliaments Sign Memorandum of Understanding**

The first-ever agreement between the Chinese and Indian Parliaments proposes to regularize bilateral exchanges, build trust, and "consult and coordinate" on international and regional affairs. The MoU was signed by Lok Sabha Speaker Somnath Chatterjee and his Chinese counterpart Wu Bangguo. Chatterjee arrived in Beijing July 3, with a big delegation, for a visit until July 8. The event, which took place in the course of the "India-China Friendship Year," should be seen in the context of the increasing cooperation in Eurasia, through the Shanghai Cooperation Organization (SCO) and other organizations.

## **South Korea Furious Over Invasion of Financial Locusts**

The Dallas-based equity fund Lone Star is selling the Korea Exchange Bank, which it bought in 2003, at a 300%, \$4.4 billion profit, and avoiding any Korean taxes. the financial press reported July 5. Lone Star, which was one of the many hedge and equity funds that bought up South Korea cheap after the 1997-98 speculative assault against several Asian currencies, arranged its purchases through a Belgian subsidiary, because Belgium has a treaty with South Korea which eliminates all Korean capital-gains taxes.

The South Korean government and the population are furious. Tax officials announced a sweeping investigation of 6,100 foreign operations in the country. President Roh Moo Hyun said in April that deregulation has exposed the country to foreign takeover, and the results are increasingly clear.

Besides Lone Star, The Carlyle Group also made a killing, selling KorAm Bank two years ago at a \$740 million profit, by working through Malaysia, which also has a tax-free arrangement with South Korea. Others under investigation by various South Korean government agencies include Warburg Pincus (insider trading), Newbridge (tax evasion), and Icahn and Steel Partners (regarding a hostile takeover attempt of a tobacco company).

The *Wall Street Journal* vented its anger over the South Korean challenge to the "free market," with a headline that read: "While N. Korea Fires Missiles, S. Korea attacks U.S. Business."

## **Deposed East Timor Prime Minister Accuses Australia**

Former Prime Minister Mari Alkatiri, who was forced to resign on June 26 after weeks of violent unrest and the deployment of Australian troops to the tiny nation, accused Australia of orchestrating the subversion of his government. Alkatiri charged the Australian government and press with running an "orchestrated plot" to force his resignation. He identified his tough and largely successful negotiations on behalf of East Timor's interests to stop Australia's effort to grab East Timor's oil in the Timor Sea, as the main cause of Australia's hatred of him. "I have no doubt that the whole of the Australian media was trying to demonize me," Alkatiri told *The Age* July 6, in his first interview with an Australian journalist since he was forced to resign. On the oil deal they had worked out, Alkatiri said: "Now everything is back on the table."

Australia is now promoting Jose Ramos Horta, who lived there during the revolutionary conflict in East Timor, to become Prime Minister—an act which would be outside the country's new constitution, but is likely nonetheless. Ramos Horta, for his part, denied any role of the Australians in the regime change, but added they should have been more "discreet—but, well, they are a big donor."

## **Russia, Indonesia Sign Major Defense Deal**

Russia and Indonesia have signed a major defense deal, including Russian arms sales, on credit, to Indonesia, according to *Asia Pulse* July 3. Alexander Denisov, co-chairman of the Indonesia-Russia Joint Commission on Military Technical Cooperation, told RIA Novosti before returning to Moscow about his meeting with Indonesian Defense Minister Juwono Sudarsono: "We felt that our partners in Jakarta were genuinely interested in developing bilateral cooperation, recalling old times, when Russia helped the young Indonesian state build its armed forces. We could see they clearly wanted to recover their former military strength, and our country could have a large role in that."

Denisov said Moscow was considering various ways to help Indonesia develop its own arms industry, possibly including joint ventures.

# This Week in American History

## July 11—17, 1938

### President Franklin Roosevelt Fights for a National Health Plan

On July 15, 1938, President Franklin Roosevelt wrote a letter of greeting to the representatives of the public and of the medical professions who would be attending the National Health Conference in Washington, D.C. Roosevelt told them that there was a pressing need for a coordinated national action program on health. "Such a program," wrote the President, "necessarily must take account of the fact that millions of citizens lack the individual means to pay for adequate medical care."

Franklin Roosevelt's campaign for better health care for Americans had begun at Warm Springs, Georgia, where he focussed not only on his own rehabilitation from polio, but became an expert on physical therapy for the disabled. Literally summoned from Warm Springs by his nomination for Governor of New York, Roosevelt won the office, and then embarked on a campaign to provide better health for all New Yorkers. He began his famous radio "fireside chats" while he was New York's Governor, and used them to report to his constituents on future plans, and to what extent the legislature had or had not acted upon them.

On February 18, 1931, Roosevelt devoted the whole of a radio message to the problems of the crippled, appealing to people to stop hiding their crippled children in back rooms or the attic and to bring them to doctors or public health officers so that their problems could be diagnosed and they could then be treated with modern medicine. In that address, Roosevelt stated, "People know well that restoring one of us cripples—because as some of you know, I walk around with a cane and with the aid of somebody's arm myself—to useful occupations costs money." But he stated that the cost was justified, even if merely from a monetary standpoint, because crippled people could then become part of society and earn a living.

Governor Roosevelt appointed a Special Health Commission and then sent its report to the Legislature in February of 1931. The outstanding feature of the report was its proposal to institute county boards of health, rather than relying on the smaller town and city boards which did not have the population or wealth to support vital medical infrastructure. The legislature, which was controlled by Republicans allied to President Herbert Hoover, ignored the proposal on county boards of health, but it did vote to fund a smaller proposal for building three state tuberculosis sanitariums.

In June of 1931, Roosevelt attended the annual Governors' Conference at French Lick, Indiana. There, he outlined a program for dealing with the deepening Depression, including measures instituting a progressive, rather than regressive, tax system; dealing with unemployment by providing jobs; and working out a system of health insurance for people who could not afford medical care.

By the summer of 1932, Roosevelt was the Democratic candidate for President, and he was furious when the Hoover Administration made attempts to cut appropriations for child-welfare work. A member of Hoover's Cabinet had suggested that the Depression wasn't altogether a bad thing for the nation's children, and Roosevelt responded that unemployment of parents led to malnutrition for the children, something which would affect them for the rest of their lives.

Governor Roosevelt stated that the Federal Government had no continuing policy for dealing with the problems of public health and social welfare. "I propose," he said, "to inaugurate a definite long-range plan for dealing with all phases of public health and welfare, which are a proper concern of the Federal government. May I add that, in the State of New



York, during the past four years, we have accomplished definite and practical results by coordinating and planning the work of the state? I cite as a simple example the public-health program, which is a part of my administration. It has been referred to in other states as the most important contribution to practical public-health work during this generation."

In the notes to his public papers, Roosevelt reviewed his actions as President to develop a comprehensive health plan for all Americans, as he had promised during his campaign. "In 1934," wrote Roosevelt, "I appointed the Committee on Economic Security whose research and recommendations formed the basis of the Social Security Act. In an address to the Advisory Council of the Committee on Economic Security a few months after its appointment, I called attention to the need for study of plans which would minimize the economic loss due to sickness.

"The Social Security Act of 1935 authorized an annual appropriation of \$8,000,000 to enable the Public Health Service to assist states and their local subdivisions in training personnel and maintaining public health services. Under the 1939 amendments to the Act, this authorization was increased to \$11,000,000.

"With the passage of the Social Security Act, it was important that the health activities of the various federal agencies be coordinated, and that the problem of adequate protection of health receive additional study. Therefore, on August 15, 1935, I appointed the Interdepartmental Committee to Coordinate Health and Welfare Activities. I instructed this Committee to appoint special subcommittees of physicians and other technical experts to study and make recommendations on health problems."

One of these subcommittees was called the Technical Committee on Medical Care, which "concluded that there were many deficiencies in the present facilities available, and that without federal assistance the states and local communities could not meet the demands of adequate protection against sickness.

"The recommendations of the Technical Committee," wrote President Roosevelt, "were embodied in a five-point program which was designed to expand gradually until full-scale operation was reached within ten years. The immediate necessity for increased public health, maternal and child health, and hospital facilities was emphasized. The Committee recommended, for example, that the federal government should undertake additional annual expenditures of \$100,000,000 to be matched by a like amount in states and localities, for the eradication of tuberculosis, venereal diseases and malaria, the control of pneumonia and cancer, and for mental and industrial hygiene.

"Up to \$165,000,000 was recommended for maternity care and care of newborn infants, medical care and services for crippled children—also to be divided equally between the federal government and the states and their subdivisions. The Committee further suggested that an average annual expenditure of \$147,400,000 be divided between the federal government and states and localities on a 50-50 basis, for the construction and maintenance of additional hospitals and diagnostic centers.

"The balance of the Committee report dealt with the need for medical care for the underprivileged and for a system of health insurance. It was advised that the federal government meet half the costs of an expenditure which would in ten years reach \$400,000,000 annually for the medical care of lower income groups. Insurance plans to distribute the costs of sickness and disability among wage earners and the general population were also recommended.

"It should be emphasized that this plan contemplated no centralized and bureaucratic control or form of 'socialized medicine,' as frequently charged by some critics. Rather, it was simply a proposal to work out the problem of giving some assurance to wage earners of continuity of income through periods of disability due to sickness, and accomplishing this within the federal system, with the responsibility of administration being placed upon the various states and localities."

After he received its report, Roosevelt wrote to the chairman of the interdepartmental committee and suggested that "your Committee give consideration to the desirability of inviting, at some appropriate time, representatives of the interested public and of the medical and other professions, to examine the health problems in all their major aspects and to discuss ways and means of dealing with these problems." The result was a call for a National Health Conference, which began on July 18, 1938 in Washington, D.C. The President addressed it through the letter sent on July 15, which called for a coordinated national program of action.

The following year, President Roosevelt wrote about the results of the conference: "Subsequent to the National Health Conference, representatives of professional groups, farm and labor organizations, and other interested individuals conferred with the Interdepartmental Committee to Coordinate Health and Welfare Activities in preparing the final report transmitted to the Congress.

"Senator Robert F. Wagner introduced the proposed 'National Health Act of 1939' shortly after my message. This bill, S. 1620, embodied the chief recommendations of the Interdepartmental Committee.

"Although in general, farm, labor, and welfare groups heartily endorsed the objectives of the bill and the bill itself, opposition developed among the professional groups, particularly the American Medical Association. This opposition assumed the familiar tone of agreeing with the 'objectives' of the bill, but disagreeing with the 'methods' contemplated. The critics expressed fear that the increased federal grants-in-aid would expand federal control too far; and they were particularly worried that the health insurance proposals for the families of wage-earners would mean a trend toward what they called 'socialized medicine.'

"I have definitely expressed the view that 'there can be no substitute for the personal relationship between doctor and patient which is a characteristic and a source of strength of medical practice in our land.' I have also made the definite statement that: 'Neither the American people nor their government intends to socialize medical practice any more than they plan to socialize industry.' There is no basis for the charge of the opponents of the national health program that it was designed to socialize medicine.

"The Congress held committee hearings upon these recommendations; but when it failed to take action, I felt that some beginning should be made in the direction of a health program at least in the poorer sections of the nation. Therefore, I asked the Congress to consider legislation to construct small hospitals in needy areas of the country."

This was submitted on January 30, 1940, as "A Recommendation for the Construction by the Federal Government of Small Hospitals in Needy Areas of the Country Presently Without Such Facilities." As President Roosevelt wrote later, "This was not designed as a substitute for the national health program recommended by the Interdepartmental Committee to Coordinate Health and Welfare Activities. This was contemplated as the first immediate forward step toward the enactment of a more comprehensive scheme of federal aid for health and medical care."

Just as the New York State Legislature had at first refused to set up county boards of health, but did provide funding for three tuberculosis sanitariums, Roosevelt hoped that the U.S. Congress would at least build the small hospitals in underserved areas of the country. But, by the outbreak of World War II, Congress had still not passed the bill, and it was only after Roosevelt's death that some of his health plans became reality, such as the Hill-Burton Legislation for hospitals and Medicare for the elderly. A comprehensive health plan for the general American population, especially those who cannot afford health insurance, still awaits future action.

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