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## In-Depth Coverage

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**Executive Intelligence Review,**  
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## Cover This Week

### **Scandal of the Century Rocks British Crown and the City**

The real crime is that BAE Systems and other City of London giants have created an enormous, hidden financial slush fund that has been devoted to the clandestine wars and AngloAmerican covert operations over the past two decades. **Jeffrey Steinberg** reports.

## Feature

### **LaRouche to IberoAmerican Trade Union Leaders:** **Globalization Equals Fascism: Organize a New Bretton Woods!**

Participating in a June 14 Internet videoconference with IberoAmerican trade union leaders from Mexico, Chile, Argentina, and Peru, **Lyndon LaRouche** emphasized that the bankrupt monetary system will disappear, and the question to be answered now, is, what will replace it?

### **Stop Social Security Privatization in Mexico**

Remarks by **Eng. Agustín Rodríguez**, secretary general of the Union of National Autonomous University of Mexico Workers.

### **Chile's Fight Against Social Security Privatization**

Remarks by **Yasmir Fariña**, vice president of the National Federation of University of Chile Employees.

### **Labor's Success in Argentina**

Remarks by **Hugo Moyano**, secretary general of the Argentine Labor Federation.

### **Conclusion: No More Concessions to Evil!**

**Lyndon LaRouche** and **Agustín Rodríguez** bring the webcast to a close.

## Economics

## President Putin Calls for New Economic Architecture

The annual St. Petersburg International Economic Forum upstaged the June 6-8 Group of Eight summit meeting at Heiligendamm, Germany. Putin used the occasion to call for a 'new architecture of international economic relations.'

## Russian, Kazakstan Reach New Agreements

As a war-avoidance policy, the Russian government is developing a comprehensive nuclear energy program, based on the idea of enabling developing nations to acquire nuclear energy.

## Bering Strait Project Featured in Russia

The Moscow-based publication Forum International covers the proposed tunnel under the Bering Strait, including a presentation by **Lyndon LaRouche**.

## Claim That Sea Level Is Rising Is a Total Fraud

An interview with **Dr. Nils-Axel Mörner**.

# International

## Cheney Drive for Civil War Succeeding in Gaza Strip

The threat of civil war between Palestinian factions is a product of a Dick Cheney-Elliott Abrams strategy.

## Who or What Is Fatah al-Islami?

## NATO's 'Mission' in Afghanistan Is Failing

## LaRouche Dialogue with an Italian Senator: Build Great Projects, Bring Peace With an International 'New Deal'

**LaRouche** was interviewed by Italian **Sen. Lidia Brisca Menapace**, in a wide-ranging discussion of foreign policy, economics, history, and science.

## A Debate in the Israeli Peace Movement: Palestine/ Israel: One State or Two?

At an event in Tel Aviv, sponsored by the Israeli Peace Bloc (Gush Shalom), **Dr. Ilan Pappé** spoke for the 'one-state' solution, and **Uri Avnery** for the 'two-state.'

# National

## LYM Organizes Congress for 'The Impeachment Imperative'

The LaRouche Youth Movement's activity is seeking to propel Congress into the necessary sense of urgency to the Congress, while also providing the information that is otherwise being suppressed.

## National News

# *In Memoriam*

## **Chandrajit Yadav: A Life for Justice**

**by Helga Zepp-LaRouche**

The former general secretary of the Congress Party and Union Minister of the Indian government under Prime Minister Indira Gandhi, Yadav was a close collaborator of the LaRouche movement.

# Interviews

## **Dr. Nils-Axel Mörner**

Dr. Mörner is the head of the Paleogeophysics and Geodynamics department at Stockholm University in Sweden. He has been studying the sea level and its effects on coastal areas for 35 years, and has demonstrated that the sea level is not now rising.

# Editorial

## **Eurasian Land-Bridge Is Becoming a Reality!**

## **U.S. Economic/Financial News**

### **Bush Goes To Bat for Enron's Bankers**

June 13 (EIRNS)—The Bush Administration is opposing shareholders' lawsuits against several major banks over their role in the Enron corporate fraud case. According to AP June 12, in a split with the Securities and Exchange Commission (SEC), President George W. Bush argued that only the SEC should file lawsuits. The issue arises in an upcoming case before the Supreme Court.

The securities fraud case filed by investors in Charter Communications, has big implications for the lawsuit filed by Enron shareholders—backed by 33 state attorneys general and state securities regulators—who argue that Merrill Lynch, Barclays, and Credit Suisse Group should be held equally liable with Enron for its massive accounting fraud. Bush sent his message about reducing "unnecessary lawsuits" via deputy White House counsel to Justice Department Solicitor General Paul Clement, who declined to file court papers. The SEC had voted 3-2 to ask the solicitor general to file a friend-of-the-court brief on behalf of the shareholders.

### **New Senate Bill May Curb Vultures' Appetite for IPOs**

June 16 (EIRNS)—Private equity and hedge funds pondering going public in order to benefit from a federal tax loophole in the Internal Revenue Code, may have to think again, if a bill introduced into the Senate Finance Committee June 14 is passed. Senate Bill 1624, sponsored by Sens. Max Baucus (D-Mont.) and Charles Grassley (R-Iowa), would require such funds to be taxed at the corporate level of 35%, instead of the 15% enjoyed by public partnerships deriving 90% or more of their income from passive investments (rents, royalties, dividends, interest, sale of capital gains).

According to Senator Baucus, in his remarks introducing the bill: "This year, some private equity and hedge fund management firms are attempting to qualify for partnership tax treatment. They seek to do so even though they derive virtually all of their income from providing asset management and financial advisory services. These management firms argue that they are able to achieve this result by claiming that all of their income from asset management and investment advisory services is passive. But objective observers would say that this income actually arises from active businesses.

Congress's intent in 1987 was to treat such publicly traded partnerships as corporations. In the legislation that we introduce today, we seek to ensure that Congress's original intent is carried out."

While the highly technical language in the bill does not mention private equity funds or hedge funds, which are known internationally as "locust" or "vulture" funds, Baucus's introductory statement hits its mark, and cheerleaders for the funds are gearing up to stop the bill.

## **Bear Stearns Faces Collapse of \$6 Billion Subprime Unit**

June 14 (EIRNS)—Bear Stearns issued \$4 billion in Mortgage Backed Securities (MBSs) June 14, in a desperate effort to shore up its losses in the subprime blowout. Two of its funds are in trouble, and if both close, as expected, then a subsidiary of Bear Stearns, Everquest Financial, could go belly-up, just as it was about to conduct an IPO!

One of the endangered funds, the High-Grade Structured Credit Strategies Enhanced Leverage Fund, has \$640 million in invested capital, plus \$6 billion in borrowed capital, mostly from Goldman Sachs and Bank of America. It could be liquidated if the \$4 billion MBS sale fails. The fund has lost 23% this year through April, and has blocked investors from further requested withdrawals of about 40%.

The *Wall Street Journal* today notes that Bear Stearns' \$4 billion sale is "a sliver of the \$7 trillion residential mortgage-backed bond market, but it is still a large amount to be sold at one time, and a potentially troubling sign for the broader mortgage-backed bond market." Bear Stearns is expected to report a 6% drop in earnings in the second quarter over last year.

The Mortgage Bankers Association reported a record level of delinquencies in the subprime sector in the first quarter: 15.75% of all subprime ARMs are 30 days-plus delinquent, up from 14.44% in 2006 fourth quarter, which was already the highest on record. The subprimes going into foreclosure (usually over 90 days delinquent) in first quarter were 3.23%, up from 2.70% the previous quarter, and the highest on record. This surveys 5-6 million subprime mortgages "worth" about \$1.5 trillion; and is an out-of-date snapshot. May will look even worse.

## **It's Not Just Bear Stearns**

June 15 (EIRNS)—Wall Street's highest flyer, Goldman Sachs, reported June 14 that it had suffered a 24% drop in its fixed income (mortgages, bonds), currency, and commodities revenues for the second quarter of 2007, largely due to the collapse of the subprime mortgage market. Combined with losses from its biggest hedge fund, Global Alpha, Goldman Sachs profits for the second quarter were a mere 1% better than fellow Wall Street company Bear Stearns' 33% second-quarter drop in profits and emergency sell-off, but still a far cry from what their clients and investors expect from them. Not to be left behind, the quasi-governmental mortgage giant Freddie Mac reported a \$211 million loss for the first quarter, after it had to write down the value of its mortgage derivatives.

## **Greenspan: 'Enjoy It While It Lasts!'**

June 14 (EIRNS)—The rapid rise in interest rates is spreading terror in financial markets, *Times Online* reported (June 14). Julien Garrel, chief investment strategist at Legal & General, said that the 65 basis point jump in yields on global bonds over the past month is the most dramatic rise since 1994, after the Mexican debt crisis. In the UK, over 800,000 mortgages known as "two-year fixed rate" (i.e., ARMs, re-adjusting every two years), are now up for renewal and facing a serious "repayment shock," as ten-year gilts rose to a seven-year high of 5.54%.

Alan Greenspan, speaking in New York, acknowledged the crisis, and said the boom in liquidity couldn't last forever, so "enjoy it while it lasts!"

## World Economic News

### Warnings of 40% Collapse in Global Housing Prices

June 15 (EIRNS)—The Danish financial daily *Borsen* today reports warnings of a global housing collapse made by Yale Prof. Robert Shiller to the website e24.no. According to Shiller, the global housing market could collapse by 40% or more in Europe.

"People have a strange idea, that it cannot happen, but it is not only in the U.S. where the prices can fall 20-40%," Shiller warns, pointing to interest rates that in just six weeks have gone up three-quarter percentage points. "The interest rate rise comes at a bad time. A lot of housing loans get higher interest rates and the creditors are tightening loan conditions. A higher long term interest rate will lead to an even greater fall in housing prices," Shiller adds.

### Vultures OK'd for Takeover of Auto-Parts Supplier Lear

June 12 (EIRNS)—European Commission regulators gave approval on June 11 for a group affiliated with billionaire "investor," aka vulture-fund looter Carl Icahn, to take over U.S. auto-parts supplier Lear Corp. for \$2.8 billion. The EU regulators found no anti-trust issues and had received no complaints from rivals within the 25-day challenge period, so the approval was automatic, according to AP's Brussels bureau.

Icahn, who was already Lear's largest shareholder, is but another vulture picking on the dying carcass of Lear; billionaire Wilbur Ross had picked off Lear's interiors unit in a joint venture acquisition earlier this year. Icahn's American Real Estate Partners LP, under the terms of the deal, will pay \$36 a share, and assume about \$2.5 billion of Lear's debt.

Icahn's pick-up of Lear adds to his portfolio of distressed American auto industry companies which were left to die due to Congress's decision to list to Felix Rohatyn, and thus decline to save the U.S. auto sector.

### Former German Chancellor Hits Offshore Hedge Funds

June 13 (EIRNS)—It's not the banks but the hedge funds that control financial flows, former German Chancellor Helmut Schmidt charged June 12 on the popular Maschberger talk show on German television. When the moderator referred to the excessive earnings of Blackstone's CEO, at 300 million euros, Schmidt commented that these excesses are to be seen especially in New York and London. There are 9,000 hedge funds, and they have their juridical locations in places like the Caribbean, and the Mediterranean, where there are no controls. This is not acceptable, Schmidt said.

We need an agreement among the major states for world control over financial instruments. He cited Finance Minister Peer Steinbrück and Chancellor Angela Merkel as thinking in this direction. Former German President Richard von Weizsaecker, also on the program, added that the issue of hedge funds *had* been discussed at the G-8 Summit, but nothing came out afterwards about it.

### Indian Financial Analyst Warns of Dollar Crash

June 12 (EIRNS)—Writing for Rediff.com, Indian financial analyst, M.R. Venkatesh, said today that for some time now,

economists have been engaged in the "mother of all debates: whether the U.S. dollar would collapse by as much as 40% when compared to other currencies (some are even betting on the U.S. dollar going belly-up) or whether there would be an orderly devaluation—that is, a gradual revaluation of other currencies vis-à-vis the U.S. dollar." In effect, the question that is confronting us is not "whether," but "when," and by "how much," Venkatesh concluded.

On March 28, 2006, the Asian Development Bank was reported to have issued a memo, advising members to be ready for a collapse of the U.S. dollar. Since then, the U.S. Federal Reserve has stopped publishing the quantum of broad money—the aggregate of U.S. dollars circulating in the world (technically called "M3") in the U.S. economy. This is the worst possible signal that the U.S. Federal Reserve could have sent to the world, Venkatesh said.

Venkatesh said the U.S. dollar is akin to the promissory note of a defunct finance company. It is common knowledge that a currency, when not backed by anything precious, is just a piece of paper. "When the U.S. abandoned the gold standard in the early 70s, countries habituated by then to the U.S. dollar under the Bretton Woods arrangement continued to accept the U.S. dollar as an international currency without demur as the world was not prepared for any other alternative. Else, the global economy would have collapsed by 1971."

## **Danes Choose General Welfare Over Tax Cuts**

June 13 (EIRNS)—Danish citizens have delivered a slap in the face to the neoliberals: A study done by Ramboll Management, published in the daily *Jyllands-Posten* today, shows that 74% of the Danish population prefer increased public spending on infrastructure, health care, education, etc., over tax cuts. That figure has increased from 67% one year ago.

The Conservative Party leadership, which has been pushing for the government to offset the current budget surplus with tax cuts, is outnumbered two-to-one among its own voters.

## **Thailand Investing \$6 Billion for Cluster of Nuclear Power Plants**

June 13 (EIRNS)—Like many other nations, Thailand has decided to go for nuclear power. The governor of the Electricity Generating Authority of Thailand (EGAT), Kraisi Kanasuta, told *Agence France Press* that Thailand plans to build nuclear plants to produce 4,000 mw of electricity, as part of the nation's long-term plan to cope with a looming power shortage. The first of these nuclear power plants is expected to start operations in 2020. "Building a nuclear power plant is unavoidable for Thailand, given the current pace of rising electricity demand," said Kanasuta.

Thailand currently relies on natural gas for 70% of its electricity, with the rest coming from oil, coal, and hydropower. One-third of the natural gas consumed in Thailand is imported, mainly from neighboring Myanmar. Thailand spent 912 billion baht (\$26 billion) on energy imports last year, up 16%, according to the Energy Ministry.

To finance the investment, EGAT, a state enterprise under the Energy Ministry, said it will consider issuing bonds and seek offshore loans. It will also recruit Thai engineers to study nuclear technology in the United States, Europe, and Japan. Japan's Toshiba, Westinghouse of the United States, now owned by the Japanese company, and the French firm Areva, are offering to build the power plant.

## **Indian Pharma Blows Off Gore, Forges Ahead with Generics**

June 15 (EIRNS)—India's pharmaceutical and biotechnology sectors are poised to take advantage of market conditions with breakthroughs in lower-cost generic pharmaceuticals, industry researchers and consultants said in a report by

Industrial Info Resources of Texas. The gain of generic drugs is a challenge to Al Gore, who, as Vice President of the United States in 1998, fought hard to deny poor African countries the right to purchase low-cost generic drugs for the treatment of HIV and AIDS. As the American head of the U.S.-South Africa Bi-National Commission, Gore used every threat possible under his doctrine of globalism, to force South Africa to abandon its plans for purchasing generic drugs for the treatment and prevention of AIDS.

Sarah Frew, the author of a study from the McLaughlin-Rotman Center for Global Health in Toronto, says that the 21 Indian biotechnology companies were ideally suited to make generic versions of brand products from "big pharma." The study noted that in 1997, the launch of the hepatitis B vaccine Shanvac-B from Varaprasad Reddy-Shantha Biotechnics of India had led to a dramatic lowering of vaccine prices to about \$0.50 per dose, from \$15 for a comparable imported product. The Hyderabad company's vaccine now makes up almost 40% of hepatitis B vaccines for the UN Children's Fund (UNICEF) distributed throughout the developing world.

## United States News Digest

### Judge: No Special Treatment for Cheney's 'Scooter'

WASHINGTON, June 14 (EIRNS)—Federal Judge Reggie Walton today forcefully rejected any suggestion that Dick Cheney's former chief of staff I. Lewis "Scooter" Libby deserves special consideration because he was a high-ranking government official, or because he had a dozen law professors from prestigious law schools file a legal brief on his behalf.

Judge Walton also disclosed that he has received a number of threatening and "mean-spirited" letters since he imposed a tough sentence on Libby, from people "wishing bad things on me and my family." Walton made it clear that these harassing letters will have no impact on how he handles the Libby case.

Walton was scathing in his dismissal of a suggestion made in Libby's latest legal brief, that since such high-profile defendants as Martha Stewart, Bernie Ebbers, or David Safavian were allowed to remain free on bond while their appeals are being considered, that he should treat Libby the same way. "I hope it is not being suggested that in a white-collar case, a judge should overlook the law and release someone just because he's a white-collar defendant," Walton stated. "Blue-collar defendants are entitled to the same treatment as white-collar defendants."

Walton denied Libby's motion to remain out of prison during his appeal, and also reaffirmed his order that Libby must report to federal prison as soon as the Bureau of Prisons designates a facility for Libby—which normally takes six to eight weeks. Libby's motion asking Walton to put his order on hold while his lawyers file an emergency motion with the Court of Appeals, was also denied.

### Illinois Democrats Demand Cheney Impeachment

June 14 (EIRNS)—DuPage County, Illinois Democrats passed a resolution May 30, calling for a full investigation into abuses of power by President Bush and Vice President Richard Cheney, ending in impeachment, if warranted by the findings.

The resolution was modelled on the text proposed by the LaRouche Youth Movement, and passed by the California State Democratic Party convention on April 29. It lists six "abuses of power" by Cheney-Bush, including "1) using information they knew to be false as a justification for the U.S. invasion of Iraq; 2) condoning and authorizing the torture of prisoners of war; 3) authorizing wiretaps on U.S. citizens without obtaining a warrant."

The resolution calls for a "vigorous investigation of these charges by the Congress," including subpoenas, and urges Congress "to take necessary action to call the Administration to account with appropriate remedies and punishment, including impeachment."

## **Appeals Court Rejects Military Detentions on U.S. Soil**

June 11 (EIRNS)—In what the *New York Times* calls "a stinging rejection" of one of the Bush Administration's central tenets in its war on terrorism, the 4th Circuit Court of Appeals today granted a habeas corpus petition for an "enemy combatant" held on U.S. soil by the military since 2003. The court's ruling, which has been obtained by *EIR*, declares that were the court to allow the President to order the U.S. military to seize and detain civilians, it "would have disastrous consequences for the Constitution—and the country."

The case involves a Qatari student, Ali Al-Marri, who was pursuing a master's degree at Bradley University in Peoria, Illinois; Al-Marri was arrested after 9/11 and charged with credit card fraud. When he refused to cooperate with prosecutors, additional civilian charges were brought, and then, when the government was about to have to make its case in court, Bush designated Al-Marri an "enemy combatant," and he was taken to a military prison, where he has remained to this day, without any charges being brought against him (see *EIR*, March 26, 2004).

The court, which usually solidly backs the government in such matters, demolished the claim, championed first and foremost by Vice President Cheney, that the President as commander-in-chief has "inherent" powers to seize and imprison anyone he wants by calling that person an "enemy combatant."

In this case, the court stated, "the President claims power that far exceeds that granted to him by the Constitution," adding that, unless Congress has suspended the writ of habeas corpus, or the President has declared martial law, "the Constitution simply does not provide the President with the power to exercise military authority over civilians in the United States."

The sole dissenting judge on the three-judge panel was Henry Hudson, a federal district judge sitting by designation on the appellate panel. As the U.S. Attorney for the Eastern District of Virginia, in the late 1980s, Hudson ran the judicial frameup of Lyndon LaRouche in that district, and oversaw an unprecedented bankruptcy shutdown of publishing companies associated with LaRouche, which was later ruled to be "a constructive fraud on the court" by a federal bankruptcy judge.

## **Wall Street Frets Over New Generals Revolt**

June 11 (EIRNS)—The lead editorial in today's *Wall Street Journal* voices a growing fear that the Bush White House is coming unglued. Citing the recent decision to replace both the chairman and vice chairman of the Joint Chiefs of Staff (JCS), ostensibly in response to Senate Democrats' threats of a contentious reconfirmation hearing on Gen. Peter Pace as JCS chief, over the Iraq debacle, the *Journal's* editors accused the President of losing his nerve and betraying his friends: "General Pace's fate is one more example of Mr. Bush's recent habit of abandoning those most closely identified with his Iraq policy. Paul Wolfowitz received only tepid support from Treasury while he was besieged at the World Bank, while I. Lewis 'Scooter' Libby may soon go to jail because the President has refused to pardon him."

The editors offer the convoluted argument that the Bush White House has caved in to pressure from Senate Democrats, led by Senate Armed Services Committee chairman Carl Levin (D-Mich.). "There's a rumor going around," they write with disdainful sarcasm, "that Robert Gates is the Secretary of Defense. We'd like to request official confirmation, because based on recent evidence the man running the Pentagon is Democratic Senator Carl Levin of Michigan. For that matter, is George W. Bush still President?"

What the neoconservatives on the *Journal* editorial board don't wish to admit, is that General Pace and outgoing vice chair Adm. Edmund Giambastiani, have been so tainted by the fiasco in Iraq, and their failure to adequately stand up to then-Secretary of Defense Donald Rumsfeld, that the uniformed military leadership, along with many sane members of the Congress on both sides of aisle, fear that they will cave in again, if Cheney gets his way, and orders are issued to bomb Iran. According to sources close to senior active duty U.S. military commanders, there is greater confidence that the chairman-nominee, Adm. Michael Mullen, will stand up against White House pressures and resist another, even more disastrous military misadventure in the Persian Gulf or elsewhere.

## **CIA Contractors May Get a Trimming**

June 11 (EIRNS)—The Senate Select Committee on Intelligence reported last week that since 9/11, the number of full-time employees in the intelligence community has increased by 20%. Since the various governmental intelligence agencies were not adequately funded to allow them to add personnel, the agencies used contractors to avoid personnel caps, effectively increasing the proportion and influence of private sector operatives in the intelligence community.

For example, the newest Pentagon intelligence agency, the Counterintelligence Field Activity, which was set up in February 2002 to coordinate Defense Department counterterrorism and counterintelligence, was staffed 70% last year by the private sector.

After the CIA was downsized in the 1990s, contract workers now make up about a third of the agency's workforce. The *Washington Post* reports today that the agency has announced plans to trim about 10% of its contract workers by October 2008.

More to the point of challenging the Rohatyn-Shultz privatizing drive is a House Select Committee on Intelligence report which states that there is "no clear definition of what functions are 'inherently governmental' and as a result where ... contractors [are] performing inherently governmental functions." It ordered a review of "the effect of contractors on the intelligence community workforce" and a report on contractors "found to have committed fraud or failure to perform on a contract."

## **Ibero-American News Digest**

### **Bank of the South: A 'New Kind of Financial Architecture'**

June 10 (EIRNS)—Leading into the June 11-12 technical meeting in Buenos Aires called to work out the final details for the founding of the Bank of the South (BOS), Venezuela's Finance Minister Rodrigo Cabezas underscored that the new financing entity will reflect a "new type of financial architecture," one in which the vote of each member nation carries the same weight, regardless of its size.

"We are advancing in the configuration of a governing system radically different from the experience of the existing multilateral agencies, in which the hegemony of the biggest [members] was imposed," Cabezas stated from Caracas June 9, and indicated that if at any point in the future the governments of Chile, Peru, and Colombia were to consider joining the bank, their vote would carry the same weight as the six founding members (Argentina, Venezuela, Brazil, Bolivia, Ecuador, and Paraguay).

The BOS, which will be officially founded on June 26 in Caracas, is intended to function independent of the International Monetary Fund, and its primary focus will be on channeling credit into infrastructure development projects. According to *Impulsobaires*, Argentine Finance Minister Felisa Miceli announced June 9 that the discussion surrounding the bank's

founding has sparked such interest in the region, that for the first time, Chile decided to send an observer delegation to the June 11-12 meeting, even though President Michelle Bachelet has said that for the time being, her government will not join the bank.

## **Senator Kirchner Speaks Out Against Globalization**

June 15 (EIRNS)—Argentina's First Lady, Sen. Cristina Fernández de Kirchner, delivered a blistering attack on globalization June 13 during a speech at the International Labor Organization in Geneva. The globalization model imposed on Argentina by the IMF in the 1990s, Kirchner said, was based on the idea that money was made by looting the labor force through programs of labor "flexibilization," which destroyed benefits and job security. In the 1990s, that model in Argentina showed high growth rates of 7%, she noted, but "if economic growth brings with it the destruction of jobs and of the labor force," then it cannot be sustained. The implosion of the Argentine economy in 2000 proved that, she emphasized.

Kirchner pointed out that, unlike the "casino economy" or "bubble economy" associated with globalization, the policies of President Néstor Kirchner are based on production, job creation, the creation of an internal market, and defense of living standards. "The adoption of a model of accumulation that emphasizes capital and labor, and which gives labor the centrality which we've experienced in other eras in terms of social organization and development, has been the key to our recovery that is still astonishing the world," Kirchner concluded.

(See InDepth for Lyndon LaRouche's June 14 webcast dialogue with Ibero-American labor leaders.)

## **Correa Urged To Be 'Ecuador's 'Railroad President'**

June 12 (EIRNS)—On June 6, hundreds of former railroad workers and citizens descended on the town of Huigra in central Ecuador, to declare President Rafael Correa "the Railroad President," and applaud his decision to rebuild the Guayaquil-Quito railroad.

In 1895, nationalist President Eloy Alfaro Delgado (of whom Correa is a descendant) restarted the Guayaquil-Quito railroad project, initially begun in 1861, and completed it with the assistance of American engineers in 1908. This was not only a major engineering feat—it was known as "the most difficult railroad in the world." It also integrated the country economically, joining the disparate regions of the coast and the Andes mountains, between which communication and commerce had been previously greatly restricted, if not impossible in some cases.

Before the southern tranche of the railroad was shut down eight years ago, due to natural disasters and economic incompetence, Huigra had been a thriving town along that route. Correa has vowed to rebuild the railroad to provide cheap and efficient freight and passenger transportation. In Huigra, he attended a meeting of Ecuador's State Railroad Company and drove the first symbolic spike into the track, launching the rehabilitation of the railroad's now moribund Durán-Quito branch. With a \$110 million investment, the government plans to complete that project by June of 2008, to coincide with the centennial celebration of the completion of the Quito-Guayaquil railroad.

## **Pinochet Proud To Be 'Lickspittle of the British Empire'**

June 14 (EIRNS)—Lyndon LaRouche's June 14 charge that the late Chilean dictator Augusto Pinochet was the "lickspittle of the British Empire" was confirmed in spades by Pinochet's own Nov. 7, 1998 statement issued in London, where he had been arrested and held on charges of human rights violations.

Published Nov. 8, 1998 by the BBC, the statement argued that while Pinochet hadn't been invited to London as the guest of

the Foreign and Commonwealth Office, his trip there was "with their full knowledge and cooperation." He bragged that he had been a guest the previous year of Royal Ordnance, the subsidiary of British Aerospace (BAE), now at the center of a scandal of global, strategic proportions.

"I always love visiting Britain," Pinochet gushed. "The friendship between our two countries is, of course, an historic one which long predates my own term in office. In 1818, our country finally obtained its freedom from Spanish, colonial domination, in part thanks to the enlightened policy of Britain's Foreign Secretary Lord Canning. Since then, Chile has been a force for stability amidst the turmoil of South America.... We owe much of our stability and prosperity to the strong ties that have existed with the people of Great Britain."

Pinochet of course failed to mention that many Chilean patriots of the Independence period, such as the Carrera brothers, embraced the American System of political economy, and hoped to model the newly independent Chile on the United States. It was Lord Canning who did everything possible to ensure there would be no repeat of the American Revolution in any nation of South America, and it was against his imperialist meddling in the Americas that John Quincy Adams authored the Monroe Doctrine in 1823.

## **LaRouche Youth Set Agenda at Biofuels Forum in Guatemala**

June 6 (LPAC)—At the Jun 6 conference on biofuels held in Guatemala City, and sponsored by the Professionals Association of Guatemala, Mexican LaRouche Youth Movement leader Ingrid Torres was a featured speaker. In her polemical presentation before 60 people, she detailed the idiocy of ethanol, from the perspective of Lyndon LaRouche's concept of physical economy, the strategic alliance needed among China, India, Russia, and the United States for a new economic system, and LaRouche's and the LYM's work to bring this about.

Other speakers included representatives of the Ministry of Agriculture, Cattle, and Food (MAGA); San Carlos University Agronomy School; the Association of Committees for Peasant Development (CODECA); the Institute of Community Development and Mayan Research Center; Carlos Wer, Economic Studies Committee of the Professionals Association; and an economist representing Cuba who, as could be expected, said that the United States was to blame for everything, and emphasized that global warming is real.

In general, all the speakers opposed ethanol and emphasized that corn should be for human consumption and not for fuel. Carlos Wer, who hosted Torres in Guatemala, charged that the drive for ethanol development is deliberate genocide, and outlined the effect this would have on Guatemala.

In a discussion that occurred after the forum, some economists said that the United States was the problem, and that it was threatening Venezuelan President Hugo Chávez. Torres insisted that as long as Bush and Cheney remain in office, the whole world is threatened, including the United States. The fight is not one of Chavez against the United States, but humanity against the financial oligarchy, she told them.

## **Western European News Digest**

### **Neocons Push New Destabilizations at Prague Event**

June 10 (EIRNS)—In Europe, particularly in the aftermath of right-wing Synarchist Nicolas Sarkozy's election as President of France, the international "war party" is planning new mayhem, and leading American neocons are smack in the middle of the action.

Illustrative of the acceleration of the "ring around Russia" destabilization was President Bush's cameo appearance in Prague, on June 5, at a two-day conference of leading figures within the Committee on the Present Danger apparatus, billed as an international conference on "Democracy and Security." The conference was co-sponsored by: the Prague Security Studies Institute, whose international advisory board is headed by former Czech President Vaclav Havel; Spain's Foundation for Social Studies and Analysis (FAES), headed by former Spanish Prime Minister José María Aznar; and the Adelson Institute for Strategic Studies at the Shalem Center in Jerusalem, headed by Natan Sharansky.

Along with scores of "dissidents" from Russia, Belarus, Syria, Iran, and Saudi Arabia, the list of speakers and participants included many leading American neoconservatives, including Jeffrey Gedmin (Radio Free Europe), Reuel Marc Gerecht (AEI), Bruce Jackson (Project on Transitional Democracies), Ronald Lauder, Clifford May (Foundation for the Defense of Democracy), Joshua Muravchik (AEI), Michael Novak (AEI), Richard Perle (AEI), Harold Rhode (Department of Defense, Office of Net Assessment), Michael Rubin (AEI), and Joe Wood (Deputy Assistant to the Vice President for National Security Affairs). Richard Dearlove, who was the head of MI6 under Tony Blair during the run-up to the Iraq War, and who is now affiliated with the Henry Jackson Society, also spoke.

Several of the Prague participants arrived in the Czech capital straight from a May 30-June 1 conference of the Foundation for the Defense of Democracy in the Grand Bahamas, on the topic "Confronting the Iranian Threat: The Way Forward," which was keynoted by Mr. "Clash of Civilizations" himself, Dr. Bernard Lewis.

## **Euro Election Results Continue Ungovernability Pattern**

June 10 (EIRNS)—Recent election results and government crises in Europe reflect the worldwide policy morass. In Belgium, elections took place today in the three entities—Wallonia, Flanders, and Brussels City, amidst the economic crisis and French-Dutch divide, so that forming a government will be a major feat. Preliminary results show that the Liberal Democratic Party of the incumbent governing coalition of Premier Guy Verhofstadt, came in second or third in Flanders, behind the Christian Democrats (30%), and perhaps behind the extreme-right Flemish Interests Party (20%). Wallonia has a still different line-up, where the Socialist Party won, with an estimated 31% of the vote.

In Ireland, where the Fianna Fail Party of Bertie Ahern's ten-year government won recently, a government has not yet been formed. A rift persists between Fianna Fail and the Green Party, its former coalition partner. Grounds for current conflict and differences include a miserable set of "issues"—such as whether to impose a carbon tax (wanted by the Greens) or not, and how to accommodate—not stop—globalized agriculture.

## **Cheney's Rendition-and-Torture Goes on Trial in Italy**

June 9 (EIRNS)—As President Bush arrived in Italy today, the first trial of the Cheney-Bush Administration's "extraordinary rendition" program opened in Milan. On trial are 26 Americans, mostly believed to be CIA officers and officials, and seven Italians, including the former head of SISMI, Italy's military intelligence service. None of the Americans, and few of the Italians, were present in court.

The case revolved around the abduction of Osama Mustafa Hassan Nasr, known as Abu Omar, from Milan in 2003; he was flown from the U.S. air base in northern Italy to Egypt, where he was imprisoned for three years and brutally tortured.

## **Kroll Associates Running Italian Destabilization Scandals**

June 8 (EIRNS)—The international investigative company Kroll Associates, widely considered to be an entity of British Intelligence used for covert operations, has been found at the center of a number of scandals aimed at destabilizing the

Italian government, according to reports from Italy. The scandals, targeting both left and right, have increased the "ungovernability factor" in Italian and European politics.

The latest involves Foreign Minister Massimo D'Alema, who is personally engaged in efforts to establish peace in the Middle East. *Il Tempo* says this may be the beginning of a new wave of "Tangentopoli" scandals, which will expand to implicate others in the Italian political leadership, as they are now implicating D'Alema and other prominent figures in the center-right coalition.

On June 6, another such scandal—involving the Italian Revenue Guard (a division of the Italian armed forces charged with stopping financial crimes)—almost provoked a government crisis in the Senate while Lyndon LaRouche was meeting with Sen. Lidia Brisca Menapace there on June 6 (see this week's InDepth for the LaRouche-Menapace dialogue).

## **NATO Discusses Putin Missile Defense Proposal**

June 13—NATO defense ministers will be discussing today, Russian President Vladimir Putin's proposal to utilize the Qabala radar in Azerbaijan, instead of building a new radar facility in the Czech Republic, for an anti-missile defense system. There will also be a meeting today of the NATO-Russia Council, where Russian Defense Minister Anatoly Serdyukov will be providing details of the Putin proposal for their deliberation. Any consensus within NATO would, of course, be contingent on an agreement between the U.S. and Russia. U.S. Secretary of Defense Robert Gates will also be attending the meeting.

## **In Albania, Bush Calls for Kosovo Independence**

June 10 (EIRNS)—Met with protests in other European countries, President George Bush was enthusiastically welcomed in Albania June 10, where he called for Kosovo's independence from Serbia. During a press conference with Prime Minister Sali Berisha, he stated that, "at some point in time—sooner rather than later—you've got to say 'Enough is enough. Kosovo is independent,' and that's the position we've taken."

Bush's manic remarks were clearly intended as a provocation of Russia, which opposes Kosovo's independence and has threatened to veto a pro-independence UN resolution.

## **Blair Dismissed as 'Yesterday's Man' at G-8 Summit**

June 8 (EIRNS)—Tony Blair got the full "has-been" treatment from Russia and the rest of the G-8 Summit attendees, according to all the British press, from the tabloids like the *Daily Express* to the stuffy *Financial Times* today. Blair, labeled "yesterday's man," was most effectively dismissed with what the *Express* called a "withering" attack from Russian Deputy Finance Minister Sergei Storchak.

After Blair's blather about his plans for a "frank talk" with Russian President Vladimir Putin at the June 6-8 summit, and his having advising British business not to "risk" investing in Russia, Storchak told the press at Heiligendamm, "I doubt business will react emotionally to what I believe are the rather emotional words of a person who is, after all, an ex-prime minister." Blair's planned talks with Putin might not even be held, the *Express* said.

Even George Bush was dismissive. Blair was frozen out of both the Bush-Putin talks and Bush's talks with German Chancellor Angela Merkel.

## **Rome Trial Points to Links Between Genoa 2001 and 9/11**

June 14 (EIRNS)—In an ongoing trial in Rome, deputy chief of police Michelangelo Fournier stated that the police had acted with excessive brutality in storming the headquarters of an anti-G-8 demonstration in a Genoa school, on July 21, 2001, *La Repubblica* and other Italian press reported today.

What makes this revelation significant, is that the Genoa events were, in a sense, a general rehearsal for 9/11. Anti-aircraft missiles had been installed as a consequence of an intelligence warning against possible al-Qaeda airplanes or drones being flown against the G-8 summit.

Fournier is a respected police official, who just last week succeeded in controlling "autonomist" violence in the center of Rome, during the anti-Bush demonstrations, without using excessive force. Fournier implicitly pointed the finger at police chief Gianni De Gennaro, who has already come under attack from leftist parliamentary groups concerning the management of the Genoa situation. In its 2001 coverage of the Genoa events, where a demonstrator was killed, *EIR* wrote that violence could erupt thanks to a combined action of the "Black Bloc" autonomists, and of a fifth column at a high level inside the police and the Italian government.

## Russia and the CIS News Digest

### CFE Meeting Ends Without Agreement

June 15 (EIRNS)—Russian negotiator Anatoli Antonov, chief of security and disarmament at the Russian Foreign Ministry, pronounced today's outcome of an extraordinary conference in Vienna, Austria on the Conventional Forces in Europe (CFE) treaty thoroughly "unsatisfactory." The angry Russian response to NATO's posture during the talks is widely covered in the Russian media today.

The four-day conference of signatories to the CFE was called at Russia's initiative. On the eve of the meeting, the Moscow daily *Kommersant* reported that the four major Russian objections to the current state of affairs remain the ones cited by President Vladimir Putin in his April 26 annual Message to the Federal Assembly. First, NATO expansion has led to a steep increase in the number of weapons allowed in the area. Second, the USA intends, in violation of the treaty, to place significant forces in Romania and Bulgaria. Third, Western countries are not meeting their obligations to speed up the ratification process. Fourth, Latvia, Lithuania, and Estonia are not participants in the treaty, despite an agreement with NATO that they should be. Russian negotiator Mikhail Ulyanov said that the present treaty, ignoring NATO's eastward expansion, prevents Russia from deploying on its flanks, e.g., in the Transcaucasus region, while the United States is setting up bases in Bulgaria and Romania.

In his April 26 message, Putin laid out the obsolete features of the CFE agreement, signed in 1990 between NATO and the Warsaw Pact, and updated in 1999. Several former Warsaw Pact members are now in NATO, including the candidates for new U.S./NATO bases. "Today," said Putin on April 26, "all that this treaty means is that we face restrictions on deploying conventional forces on our own territory." Meanwhile, there are NATO members that have not ratified the CFE and its force reduction measures, demanding that Russia complete the withdrawal of its forces from Georgia and Moldova first. Putin said that that time, "I believe that the right course of action is for Russia to declare a moratorium on its observance of this treaty until such time as all NATO members without exception ratify it and start strictly observing its provisions." If no progress were made through negotiations—such as the just-ended special conference—Putin said, "I propose that we examine the possibility of suspending our commitments under the CFE."

Subsequently, First Deputy Premier Sergei Ivanov stated several times, that the CFE was effectively under a freeze for the cited reasons. Today, after the conference failed to even issue a joint statement, Antonov said, "The current CFE treaty has

for all intents and purposes become meaningless. It's no longer viable." He said that the NATO participants in the meeting had not listened to Russia, had "continued to admonish us," and had given plenty of "fine, polite, elegant lip service." Antonov said, "We're not reaching for the skies. We're not shooting for the moon. We're just trying to re-establish the viability of the treaty."

U.S. Deputy Secretary of State Karin Look, according to an AP wire, countered that today's Russian statements about the CFE were "Cold War rhetoric. She called the CFE "the cornerstone of security and stability in Europe," and said that Russia's complaints had been addressed "seriously and cooperatively."

Antonov said Moscow remains open to further talks. But he said Putin would "carefully analyze and ponder" the stalemate and decide what to do next. Some officials in Vienna reportedly were discussing the possibility of holding another conference on the CFE this Autumn.

*See this week's InDepth for coverage of the St. Petersburg International Economic Forum, held June 8-10, "President Putin Calls for New Economic Architecture"; and for the Russian's government's war-avoidance policy, "Russia, Kazakstan Reach New Agreements."*

## Southwest Asia News Digest

### Cheney's Lies on Iran-Taliban Ties Blown

June 12 (EIRNS)—Two high-ranking U.S. officials have punched holes in the lie, perpetrated by Vice President Dick Cheney, that Iran has been supplying the Taliban in Afghanistan with weapons. An article by Garth Porter, "Cheney's Iran-Arms-to-Taliban Gambit Rebuffed," and posted on antiwar.com June 12, reports that Defense Secretary Robert Gates and the commander of NATO forces in Afghanistan, Gen. Dan McNeill, have both denounced these lies.

Porter writes that the allegations have been spread by articles quoting "senior officials," in the Cheney camp, to present Iran as pro-Taliban. He cites the *Guardian* of May 22, which quoted an anonymous U.S. official forecasting an "Iranian-orchestrated summer offensive in Iraq, linking al-Qaeda and Sunni insurgents to Tehran's Shi'a militia allies" and referring to the alleged "Iran-al-Qaeda linkup" as "very sinister."

Other coverage with the same spin came from CNN May 30, the *Washington Post* June 3, and on ABC News June 6. ABC reported that "NATO officials" said they had "caught Iran red-handed, shipping heavy arms, C4 explosives, and advanced roadside bombs to the Taliban for use against NATO forces." This referred to vehicles found with Iranian-made weapons, though no connection to Iranian personnel was made.

Gates and McNeill denied the reports. Gates told a press conference on June 4, "We do not have any information about whether the government of Iran is supporting this, is behind it, or whether it's smuggling, or exactly what is behind it." McNeill told Jim Loney of Reuters on June 5, "When you say 'weapons being provided by Iran,' that would suggest there is some more formal entity involved in getting these weapons here. That's not my view at all."

The most likely explanation is that drug smugglers are purchasing weapons in Iran.

Porter notes that, "The combination of anonymous statements by administration officials and the dismissal of the charge by the commander in the field contrasts sharply with the Bush Administration's claims that Iran was sending armor-piercing IEDs to Shi'ite militias in Iraq last January and February. Those accusations, which were never backed up with specific evidence, were made publicly by Bush himself, the State Department, and the U.S. military command in Baghdad. The fact

that the officials making the accusation about Iran and Afghanistan are unwilling to go on the record, and the refusal of Gates and McNeill to go along with it, suggests an effort by Cheney and his allies in the administration to do an 'end run' around the official policy by conjuring up a region-wide Iranian offensive against U.S. forces."

## **Cheney Cabal's Anti-Iran Campaign Has Few Takers in Afghanistan**

June 15 (EIRNS)—Afghanistan's Defense Minister Abdul Rahim Wardak, who is attending a NATO defense ministers' meeting in Brussels, dismissed U.S. Undersecretary of State for Political Affairs Nicholas Burns' June 13 statement from Paris, that Iran is supplying weapons to the Taliban in Afghanistan.

Defense Minister Wardak told the Associated Press: "Actually, throughout, we have had good relations with Iran and we believe that the security and stability of Afghanistan are also in the interests of Iran."

"There has been evidence of weapons, but it is difficult to link it to Iran," Wardak said. "It is possible that (they) might be from al-Qaida, from the drug mafia or from other sources." On June 13, Burns, pinch-hitting for the Cheney cabal in pushing hostile actions against Iran, told CNN there was "irrefutable evidence" that arms shipments (to the Taliban insurgents in Afghanistan) were coming from Iran 's government.

On the other hand, U.S. Secretary of Defense Robert Gates, who is attending the Brussels meeting, also mentioned the alleged weapons transfers from Iran. "The irony is the Afghan government and the Iranian government have pretty good relationships," Gates told reporters. Gates, who was in Afghanistan last week, said Afghan President Hamid Karzai talked to him about the good relationship between the two countries.

## **Barak Pledges To Lead Israel in the 'Next War'**

June 15 (EIRNS)—Just days before the shattering of the Palestinian National Authority (see InDepth for "Cheney Drive for Civil War Succeeding in Gaza Strip"), Israeli Prime Minister Ehud Olmert named newly elected Labor Party chairman Ehud Barak as defense minister. This followed a request by Barak, "in light of Hamas's violent take over of the Gaza Strip," according to *Ha'aretz*.

Olmert and Barak met today, and agreed that, "due to the security situation in the area, Barak should be appointed full-time Defense Minister in a quick proceeding," *Ha'aretz* reported. Cabinet ministers were contacted by phone, and were asked to approve the former Prime Minister and former chief of general staff of the Israeli Defense Forces (IDF). Barak's appointment is expected to be approved by the Knesset June 18.

"Defense Minister Amir Peretz will resign immediately after the Knesset vote," his office said in a statement. "Until then, he will fulfill his duty as usual. The *Jerusalem Post* said that Barak had met Peretz, had told him that his place in the Cabinet was not safe, and had demanded that he break up the "socioeconomic camp" in the Labor Party which he initiated at a rally two weeks ago. It was the first meeting between Barak and Peretz in two years. Peretz, who lost the chairmanship of Labor Party, will become a minister without portfolio.

The idea of Barak taking over as Defense Minister was discussed even before the Labor leadership election, and was expected. Barak ran in that race on the line that he is the only one who can lead Israel in the "next war."

## **Iran-Contra Arms Dealer Arrested in Spain**

June 9 (EIRNS)—The infamous Syrian arms dealer Monzer Al Kassar and four others were arrested in Spain and Romania

following their indictment for conspiracy to sell arms to the Columbian FARC narcoterror group. Al Kassar has been a subject of investigations by *EIR* for over two decades as one of the key controllers of international terrorism, and drugs and arms running; Al Kassar was part of the Oliver North-led Iran-Contra operation of the 1980s.

On June 8, Al Kassar and his two bodyguards were arrested in Madrid after arriving on a flight from his base in Malaga, in southern Spain. Two other men, Tareq Mousa al Ghazi and Luis Felipe Moreno-Godoy, were arrested in Romania the same day.

According to a report in the *International Herald Tribune*, a U.S. federal indictment was made public in New York. Agents of the Drug Enforcement Agency, posing as members of the FARC, entrapped the network by proposing an arms deal involving machine guns, rocket grenades, and surface-to-air missiles. They were charged with illegal weapons dealing, conspiracy to kill U.S. officials and citizens, and money laundering. The U.S. will seek Al Kassar's extradition.

## Asia News Digest

### India to U.S.: 'Do Not Transfer Your Problems to Us'

June 11 (EIRNS)—Indian External Affairs Minister Pranab Mukherjee, expressing the increasing anger over the way the Bush Administration is pushing the U.S.-Indian nuclear cooperation agreement, told correspondents in New Delhi: "They [the U.S.] say that they have some problems. We say do not transfer your problems to us," referring to Washington's reluctance to grant India nuclear fuel reprocessing rights.

The U.S.-India nuclear agreement is stuck on two issues. First, Washington refuses to allow India to reprocess any spent nuclear fuel; and second, the U.S. wants assurances in writing that India will not carry out any further nuclear explosive tests. India refuses both of these demands.

Emphasizing that reprocessing rights are "absolutely necessary" for India, Mukherjee maintained that the government would not like the nuclear cooperation agreement to have any impact on the country's indigenous strategic program.

On prospects of the agreement going through, he said he was "hopeful that everything will fall in line." But, Mukherjee quickly added that even if the deal fell through, it will not set back the Indo-U.S. relationship.

### Indian President: Satellite Systems Are for All Humanity

June 12 (EIRNS)—India's President A.P.J. Abdul Kalam said on June 9 that satellite systems should be developed for the advancement of the entirety of humanity. He said this while dedicating the country's latest communication satellite, INSAT-4B, to the nation at the Indian Space Research Organization's Master Control Facility at Hassan in Karnataka. The satellite was successfully launched from the spaceport at Kourou in French Guyana on March 12.

Dr. Kalam, a scientist known as the "father of India's rocket program," called for development of space technology that would democratize access to knowledge. "Work for 'World Knowledge Platform'—[is] an international network of EDUSAT-like satellites that would ultimately democratize access to knowledge," he said. The same level of access to information will be there for a child in a remote village in Africa or Asia and a student in the most advanced city in Europe or North America," he added.

Secondly, Dr. Kalam said, "a network of 'World Healthcare Platforms' could be developed for the common cause of the

humanity." He also asked the space scientists to network themselves, and through them, the nations and humanity as a whole.

## **U.S. To Release North Korean Funds from Macao Bank**

June 15 (EIRNS)—The North Korean assets in Macao's Banco Delta Asia, frozen under orders from the U.S. Treasury in September 2005 as part of a Cheney-directed sabotage of the September 2005 Six-Party Agreement, negotiated by the State Department, have finally been released and are on the way to North Korea.

In February, Assistant Secretary of State Chris Hill broke the deadlock on the nuclear agreement by assuring North Korea that the \$25 million frozen in Macao would be released, but the U.S. refusal to lift the declaration that the money was "tainted" left other banks unwilling to facilitate the movement. It appears that the money is now being transferred to the New York Federal Reserve, which will then transfer the funds to Russia's Central Bank, which in turn will send it to a North Korean account in Russia's Far East Commercial Bank.

North Korea has agreed to shut down its nuclear reactor, but only when the U.S. part of the deal is completed.

## **Is Washington Distancing Itself from Musharraf?**

June 13 (EIRNS)—An editorial in Lahore's *Daily Times* today points out that there is a clear indication that U.S. Assistant Secretary of State Richard Boucher's arrival in Islamabad June 12 is aimed at quashing reports that a "goodbye" message to Pakistani President Pervez Musharraf is on the way from Washington.

The genesis of such reports is the U.S. State Department's inability to counter a bipartisan letter from the foreign affairs-related committees in the U.S. House and Senate regarding growing instability within Pakistan in recent months. Instead of focussing on the Taliban and al-Qaeda themes, the letter asks the Bush Administration to intervene in Pakistan for the sake of democracy. It also states that, after observing the protests in Pakistan, it seems unlikely that the upcoming Presidential and general elections will be held impartially.

As a result, Musharraf has also begun to diversify his reliance on the U.S. in favor of reviving old links in the Gulf. He has been indulging in shuttle diplomacy on behalf of Saudi Arabia, and his Prime Minister, Shaukat Aziz, has been issuing statements of cooperation with the states of the Gulf Cooperation Council (GCC).

## **China Imposes Moratorium on Grain-Based Biofuels**

June 12 (EIRNS)—The Beijing *Youth Daily* reported yesterday that the "rapid development of grain-based ethanol biofuels has resulted in commodity price pressures in non-developed nations." While China put forward a "National Climate Change Program" earlier this month, the country must use its grain to feed 1.3 billion people, and arable land should be reserved for food, not energy production, the *Youth Daily* wrote.

Basic food prices are shooting up in China. Corn (maize) is a staple grain in northeast China, and also used to feed pigs and chickens. Already in May, prices for pork were up a full 43% over a year ago, with egg prices up 30% year-on-year. Rising food costs are the basis of overall inflation rising well above 3%, and earlier this month, Peoples Bank of China governor Zhou Xiaochun said they would be "paying close attention to the recent rises in pork and egg prices, which weigh heavily on China's inflation," in considering interest-rate raises and other measures. The population spends about a third of its income on food, so price rises have a big impact. During the current Five Year Plan (2006-10), China will stop exporting corn and begin to import some 350,000 tons a year.

The State Council (national cabinet) has recently decided not to approve any new grain-based ethanol projects. Ethanol production can continue, but only non-grain sources, such as grass, corn stalks, sorghum, and such plant material will be used, an official of the National Development and Reform Commission said at a Beijing seminar on biofuel development June 11. "Food-based ethanol fuel will not be the direction for China," said Xu Dingming, vice director of the Office of the National Energy Leading Group, according to Agence France Presse.

There are already four enterprises, in Jilin, Heilongjiang, Henan, and Anhui, which can produce 1.02 million tons of corn-based ethanol a year, but they will slowly shift to non-food sources. The NDRC says that China follows the United States, Brazil, and the European Union in the quantity of ethanol produced and consumed.

## **Chinese Economists Warn of New Financial Crash**

June 15 (EIRNS)—Chinese economists warned of the danger posed by pressure from "unstable, idle international funds" on Asian economies, in a roundtable discussion, sponsored by the *Peoples Daily*, on the situation ten years after the big 1997 Asian financial crisis. Asked about the potential for a renewed crash, Prof. Ding Zhijie of the International Business and Economics University said that people must recognize the role of international capital in the last crisis, noting that now, "developing countries have become a place for unstable, idle international funds." When "the economic situation and market confidence change," the funds will target these countries, "and [a] crisis will be inevitable." Nations have to be "prepared for any accident or emergency." Prof. Jiang Ruiping of China Foreign Affairs University warned that nations "must strengthen financial supervision, and prevent and restrict the influx of idle international funds," and "not rely heavily on international financial organizations" like the IMF.

"Currently, the scale of international idle funds is even bigger than before, and lacks effective supervision," Jiang said. The only difference was that in the 1990s, Asian currencies were falling, and now they are rising. "Due to the sharp increase of foreign exchange reserves, the East Asian market has more floating surplus funds than American and European markets. Overall, the global economic imbalance makes East Asia become a weak link in the international economic network."

Asked about the potential for "hot money" capital flows abandoning Western nations to target Asian capital markets, Xia Bin, Director of the Financial Institute of Development and Research Center of the State Council, said that the U.S. policy of "growth" in the face of its "huge multiple deficits" is "truly a kind of threat to the economic stability of other countries." He equated "hot money" speculation with U.S. government policy, without identifying the central role of the City of London. However, he asserted that China must continue to protect its financial system and "must maintain a guard on its financial door, and open up to the outside world according to its current domestic situation." In the 1997-98 crisis, China could escape the devastation which hit Southeast Asia and South Korea, because it alone in East Asia had never abandoned its international currency controls and fixed exchange rate policy. Prof. Ding also warned that Asia is far too dependent upon exports and foreign investment. A recession in the U.S. "will become a sword dangling over the head of Asian economies," he said.

However, the economists' proposals for trying to "stabilize the regional market" were far too weak to amount to anything that could really meet the scale of financial crash the world is now facing.

## **Africa News Digest**

### **Sudan Rejects French Initiative on Darfur**

June 11 (EIRNS)—Sudan Foreign Minister Lam Akol today turned down a French initiative to host a meeting of key

nations on June 25 to deal with the conflict in the Darfur region, after meeting French Foreign Minister Bernard Kouchner in Khartoum, according to Reuters. Kouchner arrived June 10 from Chad, for a two-day visit.

Lam Akol said the timing was not right, and that his country preferred to await the outcome of Africa Union and United Nations efforts to get peace talks back on track, and put together a peacekeeping force for Darfur.

"At this particular time when we are ... waiting for the roadmap ... to be announced we don't want any distraction," Akol said. "We think that ... the time may not be opportune for that meeting,"

The UN, Africa Union, and the Sudanese government are meeting today at the AU headquarters in Addis Abeba, Ethiopia, to work out details of a joint AU-UN, or hybrid force, to help restore order in Darfur.

## **Former MSF Head Blasts Imperial Darfur War Scheme**

June 11 (EIRNS)—Rony Brauman, former president of Doctors Without Borders (Medecins sans Frontieres, MSF), strongly denounced French Foreign Minister Bernard Kouchner's policy on Darfur, in an interview with *Journal du Dimanche* yesterday. The paper belongs to the Lagardere group, and often reflects some backroom views of the military. Brauman first states that there is a deluge of catastrophic declarations, that "probably have political aims." Certainly, the war, between 2003 and 2005, left over 200,000 dead and displaced 2 million people. Since then, there is a totally different regime of violence, in which the death rate has fallen from 10,000 people a month to 200. Rather, groups arrange their conflicts, or make violence a way of life. There is no identifiable front, military and insurgents, killers and civilians. Since the May 2006 peace agreements, rebel groups have become increasingly splintered.

Means of assistance are filling up his office, and only the large operations supplying food are preventing starvation in the refugee camps, he said. But if this effort comes to a halt, the consequences will be terrible. The international community generally agrees, however it may be masked by heated debate in France, that pressure should be brought to bear on the belligerents, both Khartoum and the insurgents. There is progress, from the UN, humanitarian groups, and diplomats, but it must be situated in a mindset that renounces the "fantasy of Western omnipotence," which thinks everything can be resolved by sending troops. "It doesn't work like that," he said.

"Is there not an ideological war over Darfur?" Brauman was asked. "Yes," he replied, "there are religious groups, the Christian right, and the American evangelicals which are a very powerful lobby, pushing the United States to undertake a more activist policy. They were already behind the American administration to defend the South in Sudan (Christians and animists). They are continuing. It's an interventionist ideology which puts in the hands of the great Western powers, the responsibility for bringing order to the world. Those in France who are for intervention into Darfur, were for the Iraq intervention, and today, they seem totally indifferent to the fact that it caused thousands of deaths. They don't ask questions, they are in some kind of flight forward: It is in Sudan, that imperial peace must be brought to reign!"

Asked what could be hoped for from the June 25 Paris meeting of the contact group, Brauman replied, "contacts with the belligerents, a diplomatic presence, and consistent policy, to be both a guide and guarantor of the negotiation process. He continued, "If that could allow China to join the dance, that will be good. If, on the contrary, they end up saying they are going to boycott the 2008 Olympics in Beijing, it would make us ridiculous and lead to failure. This threat is politically ridiculous and morally entirely debatable. It is the Sudanese killing other Sudanese, and the Chinese are in no way involved."

## **Sudan, Chad Pressured To Accept Foreign Troops in Darfur**

June 13 (EIRNS)—For over a year, Chad and Sudan have been working on a way to improve relations, so that they can quell the conflict along their common border, which separates the Darfur region of Sudan from Chad. Prime Minister Nouradine Delwa Kassire Coumakoye said June 5 that a Saudi-brokered reconciliation pact signed between Sudan and Chad early last month had created a "relative peace" in eastern Chad.

On June 9, Chad and Sudan announced that they agreed to set up joint Chad-Sudanese patrols of 2,000 troops each, to resolve areas of the border where relations have been strained.

Yesterday, in Egypt, Chad President Idriss Deby rejected the idea of foreign troops coming to the area, and underlined the importance of helping Sudan to settle the Darfur crisis through peaceful means. But he also indicated that Chad is being blackmailed to allow foreign troops to come into the country. "Chad is a poor country and it cannot stand up to the pressures by the world's major powers and the United Nations. In the past, we refused the international troops, but now the situation does not allow that, and if there will be further deterioration, we won't be able to resist," he said.

### **Sudan Accepts AU-UN Peacekeeping Forces**

June 13 (EIRNS)—On June 12, following two days of high-level consultations between UN, the Africa Union (AU), and the Sudanese government in Addis Abeba, Ethiopia, the Sudan government accepted the proposal of a joint UN-AU force to be deployed in the Darfur region for peacekeeping purposes. The Sudan government said that, "in view of the explanations and clarifications provided by the AU and the UN," it finds the proposal workable.

Sudan's decision was immediately welcomed by UN Secretary General Ban Ki-moon, who called it "a positive conclusion," and said he is "looking forward to expeditiously implementing the hybrid force," his spokesperson Michele Montas told reporters at UN headquarters in New York. Asked whether Sudan's acceptance of the hybrid force was unconditional, Montas noted Khartoum's call for African troops, and added that the UN had always planned to deploy a large number of African troops as well.

At the same time, Washington's response was negative. State Department spokesman Sean McCormack told reporters June 12 that Sudan's reported agreement with the AU to accept the deployment, mandate, and structure of a peacekeeping force includes "fine print" that "the force should be limited to African troops." Under that condition, he said, it would be "very difficult" to achieve the full 17,000 to 19,000 troop level, as called for under the deployment plan.

McCormack deliberately did not take into consideration what Sudan's lead negotiator said. The Sudanese delegation to Addis Abeba was lead by Muftri Sadeeq, Undersecretary at Sudan's Ministry of Foreign Affairs. Sadeeq stated: "The priority of recruitment [to the peacekeeping force] is going to be from African countries, but if we fall short of meeting the demand from African countries, definitely we will resort to other options."

### **Bush: Tighten Sudan Sanctions! South Africa And China: Sanctions Are No Longer Needed!**

June 14 (EIRNS)—After the June 12 breakthrough in negotiations, in which Sudan agreed to the UN-AU proposal for a "hybrid force" in Darfur, the South African and Chinese ambassadors to the United Nations said that sanctions were now no longer needed, according to *China Daily*. But President George Bush said that the unilateral U.S. sanctions must be strengthened, and new ones added, Xinhua reported June 13.

After meeting Chad's President Idriss Deby in Egypt, Egypt's President Hosni Mubarak blasted the U.S. sanctions as not the right methods to resolve the Darfur dispute. Chad's President was in Egypt for three days, meeting with the Arab League and Mubarak, reports Sudan Media Center online.

The technicalities of the UN-AU-Sudan agreement reported by Xinhua June 13 were as follows:

The UN will have overall operational control of the peacekeeping forces, while there will be African operational control on the ground for day-to-day operations. Rodolphe Adada (former foreign minister of the Republic of Congo) will be the head of mission. He was appointed in May.

Sudan will remain responsible for securing its borders. This issue of sovereignty had been unclear since the joint-force proposal was first made in November.

The mission is to be reviewed regularly, and if there is a political settlement that satisfies all parties, no heavy troop presence will be maintained. This is in response to Sudan's concern about an "exit strategy."

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