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[LaRouche Webcast](#)

[BAE: The World's Biggest Loose End](#)

As the BAE scandal mounts, even in the U.S. press now, the time has come, as the Walrus said, "to speak of many things"—not of cabbages, but of kings.

What I'm going to do today, corresponds to the reality of the occasion: that things which I have said in other locations earlier, as in classes and various programs, will be reflected here, but they have not been presented in this way, before an audience of this type, an international audience of this type. So, this is going to strain some of you a bit, because we're dealing with areas in which the problems that confront mankind are mankind's acceptance of certain things as being assumably true, almost self-evident; and confining what they think is possible, to what they consider to be self-evidently true. And suddenly, what they consider to be self-evidently true, is no longer true! *And really never was.* But its truth has caught up with them....

[InDepth articles from Vol. 34, No. 26](#)

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Feature

[BAE: The World's Biggest Loose End](#)

Lyndon LaRouche, addressing a Washington webcast, laid out the strategic significance of the scandal surrounding British defense giant BAE Systems, its bribery of Saudi Prince Bandar, and the role of Dick Cheney and others in creating a \$80-100 billion slush fund for use in covert operations, over two decades. This scandal occurs at a time of global financial collapse, 'the end of a period of history,' LaRouche said. The BAE affair provides us with the opportunity to act—starting with the impeachment of Cheney.

But in addition to this strategic briefing, LaRouche did something 'rather different' this time, as he explained. He delved into the core scientific/epistemological issues—from Nicholas of Cusa to Einstein—ignorance of which has prevented citizens and leaders from acting effectively to save their nations. 'I've not said this in this form, in this kind of audience, because it would not have been appropriate earlier,' he said. 'Why? Because the public was not scared enough, and not shocked enough, to realize that changes had to be made.' But now, the time is here.

Investigation

[Will BAE Scandal of Century Bring Down Dick Cheney?](#)

This is a London scandal, not a Saudi scandal, since it reveals the way the inner system of AngloDutch power operates. Cheney is in deep trouble with his London friends, because he was supposed to prevent the real story of the BAE scandal, the existence of a \$80-100 billion secret fund, from ever seeing the light of day.

[Is the Sun Setting on Bandar's Covert Career?](#)

- [Prince Bandar and 9/11](#)

[Chilean Fascist Pinochet Was Also BAE's Man](#)

[Will BAE Scandal Sink U.K. End Run on U.S. Arms Law?](#)

World News

[Missile Defense: Cheney's Nuclear War Doctrine](#)

Vice President Cheney is implementing a new, offensive nuclear warfare doctrine designed to promote an Anglo-American military empire. And Russian President Putin knows exactly what he is up to, and has outflanked him—at least for the moment.

[India-U.S. Military Alliance Threatens Trilateral Cooperation](#)

[Behind the GOP/FBI Vendetta vs. Murtha](#)

The White House got caught with its pants down when it tried to close down the National Drug Intelligence Center, solely because it is in the district of Iraq War opponent Rep. John Murtha (D-Pa.). Just last year, the White House had praised the work of the NDIC.

[75th Anniversary of FDR's Nomination: At the 1932 Democratic Party Convention, Roosevelt Calls for a 'New Deal'](#)

After winning the Presidential nomination in 1932, Roosevelt addressed the convention—the first time a nominee had done so—because he believed that the American people had lost faith in their government, in their leaders, and in themselves, and needed to see decisive leadership so that control of the party could be wrested from the bankers who ran it.

- [FDR: 'Restore America to Its Own People'](#)

The full text of Roosevelt's speech to the Convention.

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Economics

[Subprime Losses Fell Hedge Funds, Threaten Pensions](#)

Some big hedge funds have started to fall apart because of the U.S. subprime mortgage meltdown, leading to warnings of a systemic financial blowout.

[PLO Policy Advisor: Without Water, There Is No Viable State, No Peace](#)

An interview with **Dr. Shaddad Attili**.

[Danish Maglev Plan a Challenge to Germany](#)

Book Reviews

[Is the Sun Setting on Bandar's Covert Career?](#)

The Prince: The Secret Story of the World's Most Intriguing Royal,
by William Simpson.

Interviews

[Dr. Shaddad Attili](#)

Dr. Shaddad Attili is a Policy Advisor on Water and Environment, for the Negotiations Support Unit of the Palestine Liberation Organization, Negotiations Affairs Department. Trained as a geologist, he was recently appointed as the head of the Palestinian delegation on the Steering Committee of the RedDead Canal Feasibility Study.

Departments

[Banking](#)

[Wall Street's Toxic Waste.](#)

Editorial

[Cheney on the Ropes](#)

U.S. Economic/Financial News

Mortgage Rate Increase Could Bring on a 'Bloodbath'

June 20 (EIRNS)—A panicked Mark Kiesel, an executive at the \$678 billion Pimco, the California-based fund manager, warned June 20 that a half-percentage point increase in the 30-year mortgage rate over the past five weeks—from 6.15% to 6.74%—is creating the conditions for a "bloodbath." The rate increase, combined with stricter lending standards for subprime mortgages, means that millions of people will no longer be able to stay in their homes, Kiesel said, warning that the worst is yet to come.

Nouriel Roubini, a former Treasury Department director in the Clinton Administration, told *Bloomberg* June 20, "It's not just a housing recession anymore. It looks more and more like an economic recession." Kiesel told *Bloomberg News* that he is sure the housing crisis will drive the U.S. economy into recession, but then foolishly suggested that it could be stopped if the Federal Reserve would just cut its benchmark rate "at the first surge in unemployment."

Rangel To Hold Hearings on Taxing Private Equity Funds

June 21, 2007 (EIRNS)—House Ways and Means Committee chairman Charles Rangel (D-N.Y.) plans to hold hearings on the private-equity tax rate after the Congress returns from the July 4 recess, the *New York Times* reported today. "While the Senate has outlined their own unique approach on these issues, the House is not bound to consider identical legislation—especially as it pertains to the transition rules," Rangel said.

Rangel was referring to the five-year delay in taking effect, of the Senate's proposed Baucus-Grassley legislation, which

would make private equity managing partners—many of them fabulously rich from income taxed at 15% at most—pay the corporate tax rate of 35%. In addition, the Baucus-Grassley bill would apply only to private-equity funds which have sold stock to the public—so far, only Fortress Capital and Blackstone Partners.

Vermont Rep. Peter Welch (D) has introduced a bill similar to the Baucus-Grassley Senate Finance bill, but with one notable exception: It drops the transition clause, and would take effect immediately on becoming law.

Senate Finance Committee chairman Max Baucus (D-Mont.) says that he is open to shortening the transition period in his bill.

Panic on Wall Street To Plug the CDO 'Catastrophe'

June 23 (EIRNS)—Peter Schiff, president of the Connecticut-based Euro Pacific Capital, warned about a potential "catastrophe" in the CDO (collateralized debt obligations) markets, due to the Bear Stearns hedge fund collapse.

"As long as these CDO bonds stay off the market, as they universally have, asset managers have the luxury of 'marking them to market,'" Schiff wrote in a research note, reported by Dow Jones on June 21. "Not surprisingly, using this method, the vast majority of these bonds are valued at par or greater." But if the Bear Stearns bonds were auctioned in the open market, their real values would be exposed. "This would force other hedge funds to similarly mark down the value of their holdings. Is it any wonder that Wall Street is pulling out the stops to avoid such a catastrophe?" Schiff wrote.

Worse than the impact of hedge fund losses, would be the impact of an open market auction of subprime CDOs. "Their true weakness will finally reveal the abyss into which the housing market is about to plummet," Schiff wrote.

Delphi, UAW Reach Lose-Lose Pact on Wage Concessions

June 23 (EIRNS)—U.S. auto parts manufacturer Delphi, and the United Auto Workers union reached agreement June 22 on contract negotiations, including large wage and benefit cuts, although neither party is going public with the details until after the contract is voted on by the 17,000 UAW members next week. Vulture funds looking to buy Delphi out of bankruptcy had been pushing for beginning wages to be lowered to \$12 per hour, but sources told the *Wall Street Journal* that the final deal will probably set beginning wages at \$14 per hour, just half of what the workers presently earn. GM, formerly the parent company of Delphi, says it will commit \$300-400 million annually to bridge the wage gap between what Delphi will pay and what the UAW wants. Workers would also be eligible to move to open jobs at GM, or take a retirement option.

Part of the deal allows Delphi to close seven plants, while keeping four open and selling the rest, according to Bloomberg.com.

Default Security Abandoned in Corporate Debt Bubble

June 21 (EIRNS)—More than a third of all loans made by financial institutions in the United States thus far this year, have been "cov-lite," according to Standard and Poor's Leveraged Commentary Data (S&P LCD), an industry newsletter. This means that the loans contain either watered-down bond covenants, or none at all.

Normally, a bank would insert covenants into loans, so that lenders and investors are protected: stipulations, such as minimum levels of interest coverage, or the obligation to publish quarterly reports, or sometimes, to meet performance standards. The S&P LCD reported, "Talk is that arrangers [investment banks] are being told not to bother calling [private

equity] sponsors for new mandates unless they are prepared to do cov-lite." (For more on this, see InDepth: ["Subprime Losses Fell Hedge Funds, Threaten Pensions, by Paul Gallagher."](#))

World Economic News

PPBOC Warns of 'New' Asian Financial Crisis

June 22 (EIRNS)—Nations must be alert for "excessive pursuit of domestic assets by foreign capital," warned China's central bank vice governor Wu Xiaoling at the 10th Asian Financial Crisis Anniversary Forum in Beijing June 21. "It is significant to look back on the 1997 Asian financial crisis, as we are addressing an unbalanced global economy, excessive liquidity, and fickle financial markets," Wu said. She also said that other nations must be patient about China's reform of its foreign exchange policy, especially as a change in the renminbi (RMB) alone cannot narrow trade imbalances, Xinhua reported today. "China's export-oriented economy is a structural problem, which cannot be fixed merely by changing its exchange rate," Wu said. She called for international cooperation to prevent financial crises.

"A country's financial sector should open in a way commensurate with its domestic financial system," she told the forum. "Opening without due management will pose a threat to financial stability." It was China's strong foreign exchange regulation which protected it from the speculative assaults which wreaked havoc throughout East and Southeast Asia in 1997-98.

Wu said that huge foreign capital inflows could force drastic inflation in national asset prices, which would be unsustainable when the capital fled for other targets and brought down the national currency. She also said, however, that nations should not hold to "rigid" exchange policies. "All countries should adopt an exchange rate mechanism in line with their own situations as a rigid, inflexible mechanism is vulnerable to international hot money," Wu said. Increasing speculative attacks by "hot" foreign capitals could easily spark off financial crisis, she added.

Gore's British Controllers Make Killing on Carbon Trading

June 19 (EIRNS)—The City of London intends to reinforce its role as the world's carbon-trading capital, a favorite policy of Gordon Brown, who takes over as Prime Minister on June 27. A report from International Financial Services shows that the City is taking an ever-bigger share of this rapidly expanding market, as banks and brokers become more heavily involved, the *Daily Telegraph* reported June 19. Already last year—even before hedge fund operator Al Gore weighed in with a worldwide propaganda campaign to push the "global warming" hoax, London's ICE (electronic energy) Futures market accounted for more than 80% of trading tied to the European Union's Emissions Trading Scheme (ETS). Europe's ETS is the biggest "emissions-swapping" swindle of its kind in the world. Total ETS volume tripled in volume and value terms to \$24.4 billion, and is predicted to grow another 50% in 2007.

China Agrees To Cancel Iraqi Debt

June 22 (EIRNS)—China and Iraq signed four agreements in Beijing, yesterday, including one regarding Iraq's debt. The agreements came during the state visit of Iraqi President Jalal Talabani, who signed the documents with Chinese President Hu Jintao following one-hour talks in the Great Hall of the People.

No details were given regarding the amount of Iraqi debt to be cancelled or forgiven. The other three agreements deal with cooperation between the two foreign ministries, economic and technical cooperation, human resources training program.

This was the first visit to China by an Iraqi President since the two countries established diplomatic relations in 1958, IRIB reported June 21.

WTO Talks on Doha Round Collapse

June 22 (EIRNS)—Within a day after collapse of the G-4 (EU, US, India, and Brazil) talks held in Potsdam, Germany, India's Commerce and Industry Minister Kamal Nath warned that efforts by the EU and U.S. to foster differences among the developing nations, which India and Brazil have organized to stand together for protecting their interests in agriculture and the industrial sectors, would be futile. Calling it "the end of the day for G-4," Kamal Nath told reporters: "I want to caution EU and the U.S. that any effort to divide developing countries will not succeed.... India stands firm with the developing countries," he said when asked to comment on U.S. Trade Representative Susan Schwab's remarks that advanced developing countries like India, Brazil and China should open their markets for other developing nations.

The issue at stake was to reach an agreement to lower tariffs and subsidies in general, but both India and Brazil, as well as other developing countries, perceive it as being designed by the EU and the U.S. to ensure greater access to the weaker agricultural and industrial markets of developing nations and weaken them further. Lashing out against Schwab's attitude at the negotiations, Nath said: "It is not just a question of figures. It is a question of attitude. The U.S. does not realize that the world has changed."

Bank of England Governor Warns About CDOs

June 21 (EIRNS)—Bank of England governor Mervyn King warned about the risks posed to the entire financial system by "collateralised debt obligations" (CDOs), in a speech at the Mansion House—the official residence of the Lord Mayor of the City of London—June 20. King said that bankers are now telling him that they "cannot recall a time when credit was more easily available." "Exotic instruments" such as CDOs, are creating great risk. "New and ever more complex financial instruments create different risks," King said. "Some of the important risks that could affect all instruments—from terrorist attacks, invasion of computer systems, or even the consequences of a flu pandemic—are almost impossible to quantify, and past experience offers little guide. The risk of the entire return being wiped out can be much greater than on simpler instruments. Higher returns come at the expense of higher risk. Be cautious about how much you borrow is not a bad maxim for each and every one of us here tonight."

Former Financial Services Administrator chairman Sir Howard Davies has called CDOs "toxic waste." Meanwhile, the Bank for International Settlements reported that sales of CDOs hit a record \$251 billion (126 billion pounds) in the first quarter of the year alone.

Vulture Funds Pressed on Non-Payment of Taxes

June 21 (EIRNS)—In London the "big players" in private equity operations had to testify to the Parliament's Treasury Select Committee yesterday, as the incoming government of Gordon Brown faces increasing pressure to close the huge tax loopholes exploited by the super-rich speculators—although it was Chancellor of the Exchequer Brown who oversaw the creation of the British "tax haven" in the first place. Four senior private equity executives, including Robert Easton of Carlyle Group, Dominic Murphy of Kohlberg Kravis Roberts, Damon Buffini of Permira, and Philip Yea of 3i, all went before the committee. These hearings in London parallel discussions which *EIR* has reported from Washington (see above). Also, just before the committee hearings, private equity baron Sir Ronald Cohen warned that there could be riots in the streets, as in Paris, if the growing wealth gap is not closed. Cohen is a big funder of Gordon Brown.

Labour MP John McFall said to the speculators: "You're the masters of the universe. I'm asking how much capital gains tax you pay and you cannot tell me?" Under the current tax policy, the CEOs' personal profits from takeovers are taxed at

capital gains' rates of as little as 5-10%, instead of 40% income tax. Since 2003, they only need to keep their investments for two years before they can cash them in and benefit from the tax break.

Unions in Britain have put on a lot of pressure about the private equity groups. The spokesman of Unite, Jack Dromey, said more was known about the Cosa Nostra than private equity, before the unions campaigned to expose its activities, the *Guardian* reported on June 21.

On June 20 the *Evening Standard* published an estimate that the tax loopholes mean that Britain is losing some 6 billion pounds a year in taxes, due to breaks for the super-rich.

Irrational Exuberance Pumps Up Asian Market Bubbles

June 19 (EIRNS)—Stock markets across Asia set new records as foreign hot money and local hysteria set the stage for a crash. The bourses of Singapore, China, Hong Kong, Indonesia, and South Korea all ended on new highs on June 18. AFP quoted one Singapore dealer: "It is panic buying. People are chasing anything that moves for fear of missing out on the rally." A Chinese scholar currently in Washington told *EIR* that all his friends in China were calling to advise him to get into the boom. "They seem to have lost their good sense," he said. "They're all taking their savings out of banks and investing in the markets."

United States News Digest

NSA Spy Case: Senate Judiciary To Subpoena DOJ Records

June 21 (EIRNS)—The Senate Judiciary Committee voted, 13 to 3, to authorize subpoenas to the Justice Department for information related to the National Security Agency's warrantless surveillance program. Senate Republicans Jon Kyl (Ariz.), Jeff Sessions (Ala.), and John Cornyn (Texas) opposed the move.

Judiciary Committee Chairman Patrick Leahy (D-Vt.) and ranking Republican Arlen Specter (Pa.), on May 21, wrote to Attorney General Alberto Gonzales, requesting that documents be produced by June 5. Gonzales failed to turn over anything, and CQ.com reported that the Justice Department rebuffed Leahy in a letter yesterday.

In voting today, Leahy said, "We need this information for our investigation." Specter agreed, pointing to the discrepancy between Gonzales's testimony to the committee last year that there were "no serious disagreements" within the DOJ, and the former Deputy Attorney General James B. Comey's testimony to the committee on May 15, in which Comey named Dick Cheney and his top aide David Addington as attempting a "cold coup" against the Justice Department.

Is Cheney Blocking Rice's Testimony on Yellowcake Hoax?

June 19 (EIRNS)—Despite having been served with a subpoena, Secretary of State Condoleezza Rice is still refusing to testify in front of the House Oversight and Government Reform Committee about the Niger yellowcake hoax and how the infamous "16 words" got into the President's 2003 State of the Union Address. Rice was President Bush's National Security Advisor at the time, and frequently trumpeted Vice President Dick Cheney's propaganda line that Saddam Hussein was on the verge of obtaining nuclear weapons.

Rice's appearance before the committee has been scheduled a number of times, including for today, with the White House stalling, and even using the excuse of Rice's trip to Moscow, to postpone her appearance. Observers believe that it is

Cheney who is insisting that the White House refuse to permit Rice to testify. The next step would be for the full House of Representatives to vote to find Rice in contempt of Congress.

Committee chairman Rep. Henry Waxman (D-Calif.) disclosed last week that committee investigators are continuing to interview witnesses and examine documents relative to the Iraq/Niger claim. In recent weeks, the committee has taken depositions or conducted interviews of former CIA Director George Tenet, Tenet's deputy John McLaughlin, and former CIA anti-proliferation official Alan Foley; retired Army Col. Larry Wilkerson (Colin Powell's former chief of staff); and the former head of State Department intelligence, Carl Ford.

The Hill reports that committee member Rep. Carolyn Maloney (D-N.Y.) also wants to talk to Rocco Martino, the shadowy Italian businessman who allegedly passed the forged Niger documents to an Italian journalist.

White House E-Mail Destruction Bigger Than Estimated

June 19 (EIRNS)—The use of Republican National Committee (RNC) e-mail accounts within the White House was much more extensive than previously known, as was the destruction of potentially hundreds of thousands of such e-mails, in possible violation of the Presidential Records Act. These are some of the conclusions of an investigation by the House Oversight and Government Reform Committee, chaired by Rep. Henry Waxman (D-Calif.).

According to an interim report issued yesterday, the committee has evidence that RNC accounts were used to conduct official Executive Branch business, and that there was extensive destruction of such e-mails by the RNC. Under the Presidential Records Act, all such records must be maintained and preserved. Further, says the report, there is evidence that then-White House Counsel Alberto Gonzales knew that White House officials were using RNC e-mail accounts for official business, and that he took no action to preserve these official Presidential records.

The use of RNC e-mail accounts within the White House is supposed to be limited to partisan political activity, since the use of government facilities for such activities would be a violation of the Hatch Act. However, investigators and other observers believe that Karl Rove and other White House officials used their RNC e-mail accounts to carry out activities which they hoped to hide from scrutiny, such as their role in using blatantly partisan criteria for the hiring and firing of federal prosecutors.

The report notes that the White House had at first said that only a "handful" of officials had RNC accounts, then later said that it might have been 50. In fact, the report says that at least 88 White House officials had RNC e-mail accounts.

Of the 88 officials, e-mail records were not preserved for 51—well over half of the White House users. Even though many of Karl Rove's were destroyed, those preserved by the RNC amount to a staggering 140,216 e-mails for Rove alone! Over half of these were to or from official ".gov" e-mail accounts—indicating large-scale and potentially illegal use of official accounts for RNC business, or that Rove was using RNC accounts to hide his political interference in government activities.

Conyers: Bush-Cheney 'Thumbing Nose at the Law'

June 19 (EIRNS)—"The administration is thumbing its nose at the law," said House Judiciary Committee chairman Rep. John Conyers (D-Mich.), commenting on a report on Presidential "signing statements" just issued by the Government Accountability Office (GAO). Under the direction of Dick Cheney and Cheney's lawyer and chief of staff David Addington, "signing statements" have been used to defy Congress's law-making power to an unprecedented extent, and to assert Presidential dictatorial powers.

The GAO study, requested by Conyers and Sen. Robert Byrd (D-W.Va.), examined signing statements for a limited number of bills, only for appropriations bills for fiscal year 2006. The GAO found that President Bush issued 11 signing statements for the 12 appropriations bills, singling out 160 provisions in those bills. The GAO examined 19 of those provisions, and found that of the 19, only ten were executed as written, six were not, and the other three were not triggered, so there was no agency action to examine.

A number of signing statements objected to provisions of law based on the unconstitutional "unitary executive" theory—actually the *Führerprinzip* of Nazi legal theorist Carl Schmitt. Others claimed that under the President's alleged powers as Commander-in-Chief of the armed forces, he could ignore Congressional enactments.

"The White House cannot pick and choose which laws it follows and which it ignores," said Senator Byrd in a statement yesterday. "This GAO opinion underscores the fact that the White House is constantly grabbing for more power.... Too often, the Bush Administration does what it wants, no matter what the law."

Libby Pleads to Appeals Court: Keep Me Out of Jail!

June 19 (EIRNS)—Lawyers for former Cheney aide Lewis "Scooter" Libby filed an emergency motion with a federal appeals court today, asking the court to delay Libby's date with federal prison until his appeal is decided by the appeals court—which could take a year or more. If the court lets Libby stay out of prison, this will reduce the pressure being put on President Bush by Dick Cheney and his supporters for Bush to pardon Libby or to commute his sentence.

Federal Judge Reggie Walton, explicitly declining to give Libby any special treatment because of his status, has refused to allow Libby to remain free during this appeal, and instead ordered that Libby must report to prison when the Federal Bureau of Prisons designates a facility for him, which normally takes six to eight weeks.

The White House has fudged, indicating that the President would not decide on a pardon as long as the appeals process is underway, but then qualified that, to as long as Libby "is still outside of the custody of the criminal justice system."

The real danger for Cheney is that Libby, facing imminent incarceration, might decide to cooperate with federal prosecutors and tell them what he knows about Cheney's role in both the disclosure of Valerie Plame Wilson's identity and the ensuing coverup.

Senators Demand Probe of RNC 'Vote-Caging'

June 19 (EIRNS)—Senators Edward M. Kennedy (D-Mass.) and Sheldon Whitehouse (D-R.I.) have written to Attorney General Alberto Gonzales calling for an investigation into illegal voter suppression tactics by Republican National Committee (RNC) operatives in the 2004 election campaign, including Karl Rove's former aide, Tim Griffin, who is now the interim U.S. Attorney of Little Rock, Arkansas.

The letter asks for an investigation to determine if Griffin violated the Voting Rights Act with racially targeted vote "caging," which involves sending out registered letters marked "Do Not Forward" to targeted voters and then challenging these voters' rights when their letters are returned undelivered. The Senators note that the RNC has a history of this kind of activity going back to the 1980s, and had signed consent decrees with the DoJ agreeing to give up the practice. "It is very disturbing to think that Department officials may have approved the appointment of a United States Attorney knowing that he had engaged in racially targeted vote caging," the Senators wrote. "Moreover, it is very disturbing to think that senior officials were aware of this practice and did nothing to refer their information to relevant officials within the Department for investigation."

Ibero-American News Digest

Greenspan to Mexico: Privatize Pemex!

June 16 (EIRNS)—Speaking to a forum of Mexican businessmen via video hookup from the U.S. June 13, former Federal Reserve chairman Alan Greenspan warned that Mexico was facing a "huge fiscal crisis" due to a drop in oil production and therefore revenue, and that only continually rising oil prices and direct foreign investment in the Mexican energy sector could prevent it. He insisted that an amendment to lift the constitutional ban on private investment in Mexico's energy, while "politically difficult," was nonetheless "indispensable and important."

Greenspan's call feeds into the Calderón government's plans for a reform juggernaut, which includes pending legislation for a "fiscal reform" to increase the tax base through hitting the poor—whether through the IMF's insistence on a value-added tax (VAT) on food and medicine, or through Treasury Secretary Agustín Carsten's call to tax the informal economy, or both. If it succeeds in ramming through the fiscal reform, the Calderón government will go after labor next, as Rodríguez, Secretary General of STUNAM, the trade union of employees of Mexico's National Autonomous University (UNAM), warned, during a joint June 14 Internet forum with Lyndon LaRouche. "Energy reform" (i.e., privatization of oil) will follow immediately thereafter.

Reaction to Greenspan's comments was immediate. Statements opposing oil privatization came from a variety of PRD and PRI legislators. Leading opposition figure Andrés Manuel López Obrador declared that the Mexican people would not permit the Calderón government's sellout of oil to either foreign or domestic capital interests. "If we give away the oil to the monopolies, then our people will no longer have a future, and that would be like signing a life slavery letter in advance," he said.

Mexican State Workers Warn Against Privatization

June 21 (EIRNS)—Agustín Rodríguez, the Secretary General of STUNAM, the trade union of employees of Mexico's National Autonomous University (UNAM), warned on June 18 that members of the union would begin to personally follow and monitor each member of Congress—500 Congressmen and 126 Senators—until legislators agree to abrogate the new ISSSTE law which privatizes social security for state-sector workers. Along with the National Educators Coordinator (CNTE) and the National Workers Union (UNT), among others, STUNAM charges that the law, passed last March, is unconstitutional and should be overturned.

Rodríguez, who four days earlier had engaged in an Internet dialogue with Lyndon LaRouche, was responding to the 14-page document Mexico's Labor Secretary Javier Lozano sent to the UNT on June 15, stating that the ISSSTE law "is not unconstitutional" and "is not reversible." On June 18, President Felipe Calderón refused to meet with a delegation representing thousands of teachers, trade unionists, and social organizations from several states who had marched from the downtown Zócalo Plaza in Mexico City to the Presidential residence at Los Pinos.

Calderón was apparently too tired from his long meeting the same day with former Spanish Premier José María Aznar, the Francoite fascist who is a mouthpiece for the policies of Dick Cheney and the Committee on the Present Danger (CPD). Calderón, the "spurious" President, as he is known to a majority of Mexicans, instead sent his "Citizen Affairs" director out to meet with the protesters for ten minutes, to tell them, as he tried to push them away from the building and out onto the street, that the Presidency "isn't the proper venue to deal with this problem." A leader of the CNTE responded that the workers would then take their protest to the offices of the World Bank and International Monetary Fund, since "that's where the real decisions are made, and not here [at Los Pinos], which only houses the agents of speculative capital."

Rodríguez has announced that all of the organizations opposed to the privatization will set up an indefinite encampment outside the lower house of Congress, and is also calling for 24-, 48-, and 72-hour strikes, to consolidate a nationwide strike.

Correa Enlists Army Engineers To Build Infrastructure

June 23 (EIRNS)—The government and the Army Corps of Engineers will work together to rebuild Ecuador's national highway infrastructure, President Rafael Correa announced June 21. After serving as a "witness of honor" for the signing of 12 contracts between the Army Corps of Engineers and Ministry of Transportation and Public Works, Correa underscored that his government is committed to completing projects that have been delayed for a decade or more, which when completed will greatly improve communication, transportation, and trade among several regions of the country.

These projects, he emphasized, will be built "using our own capabilities, in which we have confidence." He urged the Army engineers to live up to the trust which people have placed in them, and produce "well-made projects" which demonstrate the abilities of the public sector.

Among the projects which demonstrate "a change in mentality," prioritizing Ecuadorean abilities, Correa said the Navy's Dredging Unit will be rehabilitated, to be deployed wherever it is needed. He also announced that Ecuador's Oil Fleet (FLOPEC) will be forming a strategic alliance with the state oil firm Petroecuador to transport fuel and build storage facilities for imported gas. This is in addition to plans to build several hydroelectric plants and oil refineries.

Kirchner Tells Brits: The Malvinas Belong to Argentina

June 15 (EIRNS)—Speaking on the 25th anniversary of the June 14, 1982 ending of the Malvinas War, Argentine President Néstor Kirchner responded to statements made that day by former British Prime Minister Margaret Thatcher, who hailed the British "victory" over Argentina "in a noble cause." June 14 was a national holiday in Great Britain.

In stark contrast to the late fascist Chilean dictator Augusto Pinochet, who loved to brag of his obeisance to the British Crown (and who supported Thatcher in the Malvinas War), Kirchner reminded Thatcher that the British win had been a "colonial victory, totally unacceptable in the eyes of the world, in which Argentine youngsters and officers who fought for their sovereignty were massacred." (Britain seized the Malvinas from Argentina in 1833, and has held it ever since.) Britain may have won a battle because it is a powerful nation, Kirchner told Thatcher, "but you shall never possess the reason and justice that makes the Malvinas Argentine."

Western European News Digest

Dutch Weekly Sees Role for European Missile Defense

June 15 (EIRNS)—Journalist Rutger van der Hoeven asks in the June 15 *Der Groene Amsterdammer*, why all the fuss about an anti-missile defense shield that does not work? He cites an article in last year's *Foreign Affairs*, which mentioned that for the first time in 50 years, there is now a chance that a U.S. surprise attack might destroy all the Russian bomber bases, submarines, and intercontinental ballistic missiles.

"All of us in the West can agree that a couple of [anti-missile] rockets in Poland would be of no use against a large-scale Russian nuclear attack, but that is not the only war scenario on the table. It is the scenario of an American surprise attack,

which brings us back to the Russians' concern. We may find the thought of an American surprise attack on the Russian arsenal ridiculous, but from a purely military standpoint such an attack is becoming ever more realistic, because American strategic nuclear forces are steadily increasing while the Russian is declining....

"There's no denying that some Russian generals see the missile defense system from this standpoint: should it begin to work properly in the future, then it will still not be a guarantee against an all-out Russian attack, but it would be a nice net to catch what still remains after most of the Russian arsenal has been destroyed."

This basic strategic role for Eastern Europe-based ballistic missile defense systems is spelled out in exactly such terms by Russian military readers, quoted in the article "Putin Moves To Outflank 'Ring Around Russia' Provocations," in the June 15, 2007 *EIR*. That article is circulating widely on the Internet, having been posted today on Johnson's Russia List.

Former Foreign Ministers Push Russia Destabilization

June 16 (EIRNS)—Nine former foreign ministers, including former Secretary of State Madeleine Albright and former German Foreign Minister Joschka Fischer, signed an op-ed in the *International Herald Tribune*, demanding early independence for Kosovo. A number of the signers, including Albright and Fischer, were in office eight years ago when, as they write, they "put in place an international process to decide who should govern Kosovo. We believe that the only viable option is for Kosovo to become independent under strict supervision." Their response to Russian opposition is that Kosovo and Serbia should ultimately be in the European Union and NATO. "What may be needed is a formulation that allows Russia to acquiesce without having to break openly with Serbia," they write. "Russia can reassure the Serbs and emphasize that Kosovo is a unique situation, without precedent for other regions."

Albright and Fischer are both advocates of pre-emptive war, in the name of defending "human rights."

Neo-Cons' Gameplan for Turkish Destabilization

June 18 (EIRNS)—An invitation for a private workshop on Turkey last week from the neo-con think tank the Hudson Institute, is "evoking alarmed responses from Turkish politicians and opinion leaders," writes today's Turkish daily *Zaman*. The invitation listed terrorist attacks and assassinations in Turkey as possible-case scenarios for discussion in the workshop.

One scenario offered to participants included such horrifying events as the assassination of the retired head of Turkey's Constitutional Court, and the deaths of at least 50 Istanbul residents in a terrorist bombing on the busiest street in the city. In another variant, Iran would offer its assistance to Turkey against the Kurdish separatist group the PKK.

In its report, *Zaman* claims that Turkish military representatives were present, along with Hudson Institute experts, the latter including Zeyno Baran and Kubat Talabani, who is the son of Iraqi President Jalal Talabani.

The controversy created by the report has forced the Hudson Institute to issue a statement claiming that the workshop "should in no way be considered as a conspiracy against Turkey." But the Institute admitted that it was a closed-door, "off-the-record meeting," and said that whoever let the cat out of the bag, should "be ashamed of their action."

Sweden Wants Cooperation with Russia on Nuclear Energy

June 15 (EIRNS)—Sweden is interested in cooperation with Russia on nuclear energy, King Carl XVI Gustaf said in Moscow today. The king is leading the Swedish Technological Royal Mission, which arrived in Russia in the city of

Samara, on the Volga River, on June 11, Itar-Tass reported. Yesterday, Carl Gustaf also met Russian President Vladimir Putin.

The nuclear initiative is important, because Sweden needs to build a new generation of nuclear plants. Although a large part of Sweden's energy comes from nuclear plants, a national referendum in 1980 decided not to build any new ones. But things have changed, Carl Gustaf said in Moscow: "However, now we have been gradually resuming the development of nuclear power, and we are interested in this connection in Russian experience and in cooperation with the Russian side." The Swedish delegation includes the head of the Royal Swedish Academy of Engineering Sciences, a group of leading scientists, university heads, and business representatives from Swedbank, Volvo Aero, and others. In Samara, the delegation visited a rocket and space center and industry.

Ivan Kamenskikh, deputy head of the Russian Federal Agency for Atomic Energy, said the agency is ready to cooperate with Sweden, and will invite scientists and specialists to work at Russian research reactors. He presented to the Swedish delegation, Russia's plan to develop its nuclear energy up to 2030, in cooperation with domestic and foreign investors.

British Role Revealed in 1992 Collapse of the EMS

June 20 (EIRNS)—A new book about former Italian President and central bank chief Carlo Azeglio Ciampi presents revealing information on the developments that led to the break-up of the European Monetary System (EMS) in 1992, pointing to British responsibility. The EMS collapsed following massive speculation against the Italian lira and the British pound, organized by speculator George Soros. The speculative attack had been preceded by a semi-conspiratorial bankers' meeting aboard the British royal yacht *Britannia*, and by a Moody's downgrading of Italian bonds. The destabilizing effect of the EMS crisis was instrumental in bringing about political changes that allowed the subsequent establishment of the disastrous euro system.

The book, *Carlo Azeglio Ciampi, l'uomo e il presidente*, points to the responsibility of then-Chancellor of the Exchequer Norman Lamont, who refused to convoke, upon Italian request, an emergency meeting of Ecofin, the European Council of Financial Ministers, on Sept. 14, 1992. That meeting could have approved an internal realignment of the EMS, discussed between German and Italian authorities during the weekend.

Lamont is a member of the British establishment who became a cabinet minister under Tory Prime Ministers Margaret Thatcher and John Major, and was heavily involved in privatizations. Lamont is also part of that section of the British imperial establishment currently exposed by the BAE scandal, both for his role in the Thatcher-era reorganization of the British economy, including the military-industrial complex, and his direct involvement in the corrupt relationship with Chilean dictator Augusto Pinochet. In 1998, when Pinochet underwent surgery in London and the arrest warrant was delivered against him from Scotland Yard, Lamont was at top of the visitors list, along with Thatcher.

Ireland Imposes Its First Ban on a Video Game

June 21 (EIRNS)—The British Broadcasting Corporation reports that Ireland on June 20 imposed its first ban on a video game. The game is "Manhunt 2," by Rockstar Games, the same company that makes "Grand Theft Auto." BBC notes that the United Kingdom has also banned this game.

Irish film censor John Kellenher issued a statement saying that there is no context, and that the level of gross, unrelenting, and gratuitous violence is unacceptable.

"Manhunt 2," scheduled for July 10 release on Nintendo's Wii and Sony's Playstation 2 consoles, depicts the escape of an

amnesiac scientist and a psychotic killer from an asylum, and their subsequent epic killing spree.

Rockstar Games is seeking to overturn the ban on the grounds that the game is "a fine piece of art." Rockstar said they would fight the ban on a country-by-country basis.

Tony Blair Needs a New Foundation

June 20 (EIRNS)—The already crumbling legacy of departing British Prime Minister Tony Blair is in need of a new foundation. So, according to the pro-Blair Italian daily *Il Riformista*, Tony and Cherie Blair are in Rome looking for Vatican support for such a foundation, and were scheduled to meet the Pope on June 22.

Il Riformista claims that the foundation is intended to counter Spanish Prime Minister José Luis Zapatero's Alliance of Civilizations, because the latter is allegedly too pro-Islamic.

The Blair Foundation is being organized by what has become known as "the Gang of Four," led by Baroness Sally Morgan, banker Russell Chambers, Charles Dunstone (chief executive of Carphone Warehouse and one of Britain's richest men), and Roland Dudd.

Russia and the CIS News Digest

Moscow Rail Meeting Sees New Deals, Hears Big Plans

June 22 (EIRNS)—Vladimir Yakunin, president of the state-owned company Russian Railways, keynoted the 70th Session of the Executive Committee of the International Union of Railways, held in Moscow starting June 18. Yakunin stressed Eurasian transport corridors: "Today, the most urgent questions are those of developing interregional and transcontinental rail transport corridors, including Eurasian ones."

Noting that this year is the 170th anniversary of the first railroads in Russia, Yakunin stressed his company's importance within the Russian economy. It still employs 1.3 million people, or over 2% of the Russian labor force. He talked about the strategy for developing Russia's railroads to the year 2030, "which includes, in the long term, the implementation of a number of major rail construction projects." On April 10, at a government meeting chaired by President Vladimir Putin, Yakunin identified one of those major projects as being the 3,500 km rail line from the Lena River to the Bering Strait.

A number of deals were signed on the sidelines of the conference. Russian Railways has set up a joint venture with Germany, Poland, and Belarus to improve rail services and cargo traffic between Russia and western Europe, announcing June 18 that it will "streamline the transportation process, improve the quality of services, and increase the volume of freight shipments along International Transport Corridor No. 2 linking Berlin, Warsaw, Minsk, Moscow, and Nizhny Novgorod." The venture is worth some \$65.3 million. It will coordinate different rail gauges, customs regulations, and other matters to cut travel time. The four partners are considering extending the route to Yekaterinburg, in the Urals, and eventually linking it to the Siberian rail network.

On June 21, Hartmut Mehdorn, the chairman of Deutsche Bahn, and Yakunin signed a logistics agreement, which the *Frankfurter Allgemeine Zeitung* described as a breakthrough, after lengthy negotiations. According to the report, both sides stressed that "German and Russian railways are not in competition, but are friends, who want to optimize traffic." In a remarkable statement, the two executives added, "The land-bridge between Europe and Asia is no longer a vision for the future, but it is reality." Mehdorn and Yakunin both expressed confidence, that China could be integrated into this joint

project within the next year.

The *FAZ* notes that freight transport between the EU and Russia was 300 million tons in 2006, with 60 million tons between EU and China, and a fairly low percentage of these goods moved by rail. Under the new agreement, 34,000 containers will be shipped between Russia and Germany. The number is expected to double or triple in the near future, as customers are offered integrated services to ease the existing difficulties with different gauges, electricity systems, and customs procedures.

On June 18, Ukrainian E-news reports, Yakunin also signed a memorandum of understanding with Vladimir Kozak, head of Ukrzaliznyshchi, on extending wide-gauge track westward through Slovakia to Vienna, Austria. Ukrzaliznyshchi will provide technical expertise for the project, which may include a new logistics center. The Ukrainian report talks about huge economies from the elimination of switch-overs from one gauge to another at border crossings, claiming that "extending wide-gauge rail to the center of Europe will make it possible to increase the freight volume by 60%, and to ship cargoes by rail from the Asia-Pacific Region with no interruptions."

New Central Asian Railway Is Planned

June 20 (EIRNS)—Turkmen President Gurbanguli Berdymukhamedov, back from an official visit to Iran, stated that he had received Iran's agreement to build a railway link to join the Central Asian Republics to the Persian Gulf ports. This "North-South" railway is to go from Kazakstan to Turkmenistan, and thence to the coast of the Persian Gulf. "Our Iranian brothers," the President stated, "have agreed to implement this large-scale project." AP reported that the deal should be signed at a Caspian Sea summit in Tehran later this year. The rail project, which could transport 10 million metric tons of cargo per year, is part of the rail corridor linking Russia and Eastern European countries with the Persian Gulf and Indian subcontinent.

Russian Magazine: City of London Is the Problem

June 19 (EIRNS)—Tatyana Gurova, deputy editor of the influential Russian economics weekly *Expert*, wrote in the June 11-17 issue, about the difficulties in mobilizing credit to finance industrial activity and other business inside Russia. She cast her article in the framework of the discussion launched by Kremlin deputy chief of staff Valentin Surkov, about "sovereign democracy." Can a national economy really be sovereign, asks Gurova, "if its money market is shaped and regulated chiefly by foreign financial flows?"

The carefully argued article includes a sub-section titled "Outplaying London." This passage continues the critical look at Russia's relations with Britain's ruling elite, both British intelligence and the City of London, that has otherwise been unfolding around the Litvinenko murder case (which Russian sources charge Britain's MI6 with staging), in President Putin's recent statements (on the eve of the G-8 Summit, he called Royal Dutch Shell's 1990s operations in Russia "colonial"), and in specialized publications. In an online discussion of the article, it was linked to Lyndon LaRouche's recent interviews and articles about the historical and present role of the Anglo-Dutch financial oligarchy.

Gurova wrote: "The West can find no better strategy towards the economically attractive nation of Russia, than to turn it into one big clearing center: We are to take loans, guarantee them with our assets, and repay with interest when they come due. The main player in this is London. It is precisely London—having taken over from New York the status of the world's chief financial center, at the cost of losing [Britain's] own national industry—that is the most interested in raking off grains from the huge Russian economy. It is precisely London, that watches eagerly, as Russia attempts to arrange its complex economic ties with EU member countries. It is precisely London, that launched a fight to the death against the deal between Russia's Severstal and the Arcelor company of Luxembourg. It is precisely London, that stated absolutely unambiguously, out of the mouth of Tony Blair himself, that British businessmen would pull their funds out of Russia, if

political relations deteriorated."

People who doubt the scale or importance of British investment in Russia or internationally, Gurova recommended, should listen to what *Expert's* London correspondent reported, a couple of issues back: "Today about 80% of banking operations are conducted directly or indirectly through London, and it accounts for 70% of the secondary market for securities and 50% of the derivatives market. London is the world's main center for offshore funds management."

Ivashov: World Financial Elite Exploits United States

June 17 (EIRNS)—Gen. Leonid Ivashov, the former international department head for the Russian Defense Ministry, is currently organizing an Autumn 2007 All-Russian Public People's Convocation (Sobor), whose goals he outlined in a June 14 interview with KM.ru. A May 26 organizing seminar for the Convocation brought together veterans' representatives, Russian Orthodox Church people, educators, scientists, military, Cossack, human rights, trade union, sports, and other Russian layers, according to KM.ru. Some of them described their goal as to form the kind of coalition that economist Sergei Glazyev's Rodina party was meant to be, but it became factionalized after its strong electoral showing in 2003.

Ivashov told KM.ru that he wants Russia to be a "spiritual leader" in the world, which cannot be a "unipolar world." He characterized the current situation not by attacking the U.S.A. per se, but by calling to unite "everybody who is ready to oppose the murderous, rapacious project, that the world financial elite is attempting to impose, using the U.S.A. as its battering ram and world gendarme."

Southwest Asia News Digest

Carter: U.S. Criminal Policy Caused Disaster in Gaza

June 20 (EIRNS)—Speaking at Ireland's eighth annual Forum on Human Rights yesterday, former U.S. President Jimmy Carter said the U.S., EU, and Israel must end their policy of supporting Fatah over Hamas, or they will doom the Palestinian people to deepening conflict between the rival movements. He termed the Bush Administration's refusal to accept the 2006 election victory of Hamas as "criminal."

The *Jerusalem Post* reports today that monitors from the Carter Center had observed the 2006 election in which Hamas won 42% of the popular vote and a majority of parliamentary seats. Carter said that the election was "orderly and fair," and that Hamas won. Instead of supporting the Hamas move towards parliamentary politics, the U.S., Israel, and the EU tried to subvert the outcome. "That action was criminal," he said in a news conference after his speech. "The United States and Israel decided to punish all the people in Palestine, and did everything they could to deter a compromise between Hamas and Fatah."

He also said that the U.S. and others supplied the Fatah-controlled security forces in Gaza with vastly superior weaponry in hopes they would "conquer Hamas in Gaza"—but Hamas prevailed because of its "superior skills and discipline." He said plans to send aid to the West Bank, while clamping down on aid to Gaza, would imprison its 1.4 million residents. He called for both territories to be treated equally. "This effort to divide Palestinians into two peoples now is a step in the wrong direction," he said. "All efforts of the international community should be to reconcile the two, but there's no effort from the outside to bring the two together."

Lavrov: Iran Is No Threat, ABM System Is No Answer

June 21 (EIRNS)—Speaking in Tehran after a regional meeting on the Caspian Sea, Russian Foreign Minister Sergei Lavrov stated: "We do not see any kind of threat from Iran." He went on: "Thus, we do not understand why, in order to justify the installation of a U.S. anti-ballistic missile system in Europe, you have to bring up the pretext of a genuine Iranian threat." He added: "On many occasions we have mentioned professional opinions, expertise, and analyses about the absence of such a threat," and pointed to President Putin's Azerbaijan proposal. "If, on the American side, there is a suspicion of such a threat, then Putin offered that such a suspicion could easily be removed through the information collected through the radar station at Gabala." (For more on Putin's proposal, see InDepth: "Missile Defense: Cheney's Nuclear War Doctrine," by Carl Osgood.)

As Lavrov made these comments, the defense chiefs of Russia and Azerbaijan were meeting, and confirmed their countries' readiness to host part of a U.S. missile defense system at the radar station in Azerbaijan, the Interfax news agency reported.

A report by the Iranian news agency IRIB quoted Lavrov as stating exactly whom the U.S. plan was targeting: "It is a threat against Russia and China." He also said, in answer to a question about the Azeri proposal, "As President Putin mentioned during his meeting with the Azeri President, we feel absolutely no threat from Iran's side."

On the Azeri-Russian Presidential talks, Lavrov said: "As they stated, the radars in Azerbaijan have been active for decades, and therefore, there is no need to put up an anti-missile site there." He said Russia was "preparing a proposal to be put forth during the upcoming Putin-Bush talks."

One day earlier, Lavrov said that the recent proposal made by IAEA chief Mohamed ElBaradei, as an independent expert in talks with Iran, should be taken into consideration. This refers to ElBaradei's view that Iran's right to nuclear technology should be respected, and that demands for suspension of enrichment should cease. Lavrov also agreed with ElBaradei that Iran's nuclear issue should be settled in the context of Iran-IAEA cooperation, IRNA reported.

Iranian nuclear negotiator Ali Larijani and EU foreign policy chief Javier Solana were scheduled to meet over the weekend of June 23-24 in Lisbon, Portugal, to continue their talks.

UN Resolution for Palestinian Emergency Government Blocked

June 22 (EIRNS)—An attempt by the U.S., France, and Great Britain to ram through a United Nations Security Council resolution to support the Palestinian emergency government set up by President Mahmoud Abbas, has been blocked by Council members Russia, South Africa, Indonesia, and Qatar. Even the Palestinian observer to the UN objected to such a resolution, which has now been taken off the table. This move followed an announcement of support to the emergency government by UN Secretary General Ban Ki-moon and his Middle East envoy, Michael Williams.

The emergency government was created after a series of Anglo-American operations designed to destroy the Palestinian National Unity government came to a head around June 14.

Russia and South Africa have questioned the legitimacy of the emergency government, and argued for re-establishing a national unity government that includes Hamas. The South African ambassador said that Israel and the Quartet (the U.S., the EU, Russia, and the UN), were to blame for the situation in the Gaza Strip.

The Palestinian envoy to the UN also opposed such a resolution, saying it would be an intervention into Palestinian internal affairs.

Netanyahu Meets with Cheney on Iran

June 22 (EIRNS)—Benjamin "Bibi" Netanyahu, chairman of the right-wing Likud Party and leader of the Israeli opposition, met Vice President Dick Cheney in Washington on June 20. The major topic of discussion was Iran and stopping its nuclear program. The *Jerusalem Post* wrote that the two discussed the "Iranian threat" and that Netanyahu said that economic and political action should be taken against the regime, and that economic sanctions had the potential to prevent Iran from acquiring nuclear weapons. "The world must not become accustomed to a nuclear Iran," said Netanyahu.

Commenting on the situation in the Palestinian territories, Netanyahu called for Jordan and Egypt to send troops into the West Bank to restore law and order. It is doubtful that either country is listening too closely to him.

While in Washington, Netanyahu also met with Sen. Hillary Clinton (D-N.Y.) and former Republican Sen. Fred Thompson, both Presidential hopefuls.

Meanwhile, in Israel, the latest polls revealed that if elections were held now, Netanyahu's Likud Party would receive the largest number of seats, 29 out of a 120-seat Knesset, which would give Bibi the mandate to form a government.

French Envoy Visits Iran

June 21 (EIRNS)—French envoy Jean Claude Cousseran, after visiting Lebanon, Egypt, and Saudi Arabia, was in Tehran June 20, for talks with Foreign Minister Manouchehr Mottaki and others. Cousseran had earlier planned to visit Iran to discuss the nuclear issue, but the trip was cancelled. His current tour is concerned with Lebanon.

Mottaki said Lebanon's stability and security were of vital importance for Iran. "We welcome any effort to bring the Lebanese [factions] close to each other and are ready to give necessary help to settle problems in Lebanon and forge a consensus among different parties in the country," he said. This refers to the French proposal to have Lebanese leaders from all factions meet informally in Paris, IRNA reported.

Lebanese Defense Minister Claims Victory

June 22 (EIRNS)—Defense Minister Elias Murr announced on Lebanese TV that, "The Lebanese army has destroyed all Fatah Islam positions. The army is combing the area," he continued. "The terrorist organization has been uprooted," and, "the military operation is over," adding "the Lebanese army has crushed those terrorists." However, he noted that the Palestinian refugee camp near the northern city of Tripoli, where Fatah al-Islami had taken control, would still be "a theater of operations and under siege" until the terrorists surrendered, as reported by CNN today.

A representative of the Palestinian Scholars Association, which has been mediating, said Fatah al-Islami "has declared a ceasefire and will comply with the Lebanese army's decision to end military operations." Murr said 76 soldiers had died and 150 had been wounded in the fighting, which broke out on May 20. Significantly, he said that there was no proof that the terrorists had links to Syria, and cautioned against assuming this.

Murr also said that there were dangers lying ahead for Lebanon. "Is there al-Qaeda in Lebanon? Yes. Are there terrorist organizations? Yes. More explosions? Possible. Assassinations? Possible." He also warned that the violence could spread to the UN forces in the South.

Regarding the political crisis, for some reason, the informal meeting of representatives of all Lebanese factions, scheduled for June 29 in Paris, has been postponed until mid-July, as reported in the *Daily Star* June 23. French President Nicholas

Sarkozy met Saudi King Abdullah yesterday, and discussed Iran, Lebanon, Palestine, nuclear proliferation, and the war on terror, according to *Arab News*. The King played up France's role: "France has an international standing that places on the country huge responsibilities and roles that it must fulfill, particularly pertaining to the Middle Eastern issues," he said. "The world will listen to the voice of France, the voice of justice and fairness, under the leadership of President Sarkozy." To which Sarkozy responded, showering praise on the King: "The world needs the Kingdom in order to achieve peace. The world needs the Custodian of the Two Holy Mosques [King Abdallah] to find a way out of tension and clashes."

Asia News Digest

South Asian Nations: Expand Eurasian Land-Bridge

June 22 (EIRNS)—In a study published on June 21, the South Asian Association for Regional Conference (SAARC)-led Regional Multi-Modal Transport Study (SRMTS) has proposed for Nepal four regional-level roads and two railroads to strengthen interlinking of SAARC nations. SAARC nations are part of the southern corridor of the Eurasian land-bridge. The study has asked Nepal to give priority to the railroads to enhance its trade volumes with neighboring nations.

The report said that the road network could be instrumental in giving Nepal access to seaports in member nations. It has identified a total of 18 road networks, 14 of which are in operation. While the study suggested linking up Kathmandu with the Indian port of Kolkata and the Bangladeshi port of Chittagong by two separate roads, it also proposed a road which would link Kathmandu to Karachi in Pakistan running through New Delhi and Lahore. The fourth road will be to link the Indian city of Lucknow in the state of Uttar Pradesh, to Kathmandu.

The first railway line would link Nepal from Birgunj to Bangladesh's port of Chittagong via India's Raxaul and Katihar. The second railway track will pass through Birgunj-Raxaul and reach the seaport of Kolkata in India.

Thailand Fight for Generic Drugs Backed by U.S. Lawmakers

June 22 (EIRNS)—Rep. Henry A. Waxman (D-Calif.), chairman of the House Oversight and Government Reform Committee, and 34 colleagues issued a letter June 20 to Amb. Susan C. Schwab, the U.S. Trade Representative (USTR), urging her to reexamine the administration's decision to put Thailand on a "Priority Watch List" because of steps taken by the Thai government to secure generic versions of three drugs for its citizens. The letter states that Thailand, "in doing so, was acting within its international rights and obligations under the Agreement on Trade-Related Aspects of Intellectual Property, as specifically affirmed by the United States and other nations in the Doha Declaration."

Thailand has been subjected to a massive campaign of lies and slanders by neo-conservatives linked to the pharmaceutical industry since December, when they exercised their legal and moral right to put the lives of their citizens above the drug companies' profits by purchasing generics. Thailand has a model program for HIV/AIDS treatment, and since 2003, the national health program, which covers all Thai citizens including nearly 600,000 living with HIV/AIDS, has provided broad access to anti-retroviral (ARV) drugs at almost no cost.

The Waxman letter states: "This response runs counter to the United States' obligation to respect the rights of all nations to implement their intellectual property rules in a way that is supportive of public health. We urge you to adhere to this principle and reassess U.S. policy toward Thailand to reflect this commitment."

It concludes that, "USTR's treatment of Thailand in the Special 301 calls into question the United States' commitment to the Doha Declaration ... [which] states that intellectual property obligations should be 'interpreted and implemented in a manner supportive of WTO members' right to protect public health, and in particular, to promote access to medicine for

all.' "

British Expert: Afghanistan Is Going the Way of Iraq

June 22 (EIRNS)—Richard Norton-Taylor, the security affairs editor of the London *Guardian*, wrote on June 21, that senior British military officers, defense officials, and even cabinet ministers, are now privately admitting that the spiral of violence in Iraq is plainly being repeated in Afghanistan, albeit without the sectarian violence.

One of the reasons that violence is spiralling upwards in Afghanistan, and it is almost never addressed by the U.S. or NATO member-nations, is the indiscriminate killing of Afghans by occupying forces under the pretext of eliminating the Taliban. On June 22, a United States-led airstrike killed at least 12 members of an Afghan family and 20 alleged Taliban fighters in the volatile southern province of Helmand, provincial police chief Hussein Andiwal said. As many as 25 civilians died in the raid, including women and children, according to villagers and the district police chief. NATO has confirmed that the incident occurred and that casualties were involved, but said it could not confirm if these included civilians.

In Britain, cabinet ministers describe Afghanistan as a "noble cause" because, they say, vital British interests are at stake, but Norton-Taylor says it is clear that the policy of the West, as enacted by the NATO in Afghanistan, remains hopelessly confused and contradictory. "Without a huge injection of foreign aid, it may not be long before British commanders start saying: Let's get out of Afghanistan as well as Iraq," he wrote.

Philippines Nuclear Meet Hears from LaRouche Movement

June 22 (LPAC)—The Philippines LaRouche Movement was invited to the second half of the first government-sponsored conference (since the 1986 demise of nuclear power in the Philippines) on the potential for reviving nuclear power development, where they quickly established the authority of the LaRouche movement on the nature and the urgency of the international renaissance in nuclear power. Butch Valdes, the head of the Philippines LaRouche Movement, had written to the organizers of the June 20 conference, co-sponsored by the Department of Science and Technology, the Department of Energy, and the Philippine Nuclear Research Institute, offering to present a global overview on nuclear power and its applications, but was sent a letter rejecting the offer and informing him that the LaRouche movement was not welcome at the event.

The Philippines LaRouche Youth Movement (PLYM), along with several older members of the movement, attended the event anyway, and distributed a beautifully prepared packet of material which included the *EIR* "Isotope Economy" article (Oct. 6, 2006), and other articles.

First Road Through Laos To Connect Yunnan and Thailand

June 22 (EIRNS) China, Thailand, and Laos agreed on June 21 to build a bridge across the Mekong River that will directly link Yunnan province with Bangkok by road through Laos for the first time, the Asian Development Bank said. To be completed in 2011, the bridge will be jointly financed by China and Thailand. It will cross the Mekong River at Chiang Khong, in northern Thailand near the Myanmar border. It will be the third bridge across the Mekong to be built under a 15-year-old regional cooperation program to link the economies of Cambodia, China, Laos, Myanmar, Thailand, and Vietnam.

It is also the final link in a North-South road system through the Mekong region being developed by nations in the area and the Asian Development Bank since the Greater Mekong Subregion initiative was launched in 1992.

'Mr. Yen' Sakakibara Says Carry Trade Bubble Must End

June 22 (EIRNS)—Speaking at the Federal Reserve Bank of San Francisco on June 21, Eisuke Sakakibara, the former Japanese Ministry of Finance official who is known as "Mr. Yen," said that "Japan's interest rates are absurdly low and creating a carry trade bubble, and this is very dangerous." He added, "The cheapness of the yen has reached absurd levels, and the only cause for that is low interest rates.... The Bank of Japan needs to normalize interest rates as quickly as possible." He suggested that the yen interest rates should be increased from the current 0.5 percent to 1.25 percent within the year.

The current governor of the Bank of Japan, Toshihiko Fukui, has called for raising Japan's interest rates to stop the very real threat that the yen carry trade, in the hands of international hedge fund speculators, could blow up the world financial system. However, at last week's Bank of Japan meeting, Fukui held back on raising rates until later in the year, leading to a further fall in the yen and an increase in the carry trade.

Lyndon LaRouche backed Fukui's attack on the hedge funds, but added that it is urgent for Japan to "end the carry trade altogether and raise interest rates to international levels." Continuing, he said that every time Japan postponed raising rates for fear it would undermine the international financial system, that system simply got worse.

Africa News Digest

UK Fraud Office Probes BAE Bribery in South Africa

June 21 (EIRNS)—Johannesburg has responded positively to what the British Serious Fraud Office (SFO) has described as a breakthrough in its investigation into the controversial South African arms deal involving BAE Systems, in which it believes BAE bribed a South African minister, the London *Daily Mail* reported today.

South Africa has now joined the OECD convention on corruption, and attended the Paris Meeting of the OECD, on monitoring corruption, at which Britain came under pressure over BAE's bribes, according to the *Guardian* on March 14.

The SFO said that South African authorities are ready to cooperate with investigators. According to a Jan. 6 *Guardian* article, the SFO is investigating "substantial payments" made by BAE Systems to a senior South African defense ministry official who had influence over a 1.5 billion pound contract won by the arms company in 1999, to supply Hawk jets at nearly twice the price of more modern jets from rival bidder AeroMacchia, an Italian firm.

The *Guardian* reported that it had emerged the day before that South Africa's organized crime unit, the Scorpions, was handling a "mutual legal assistance" request from the SFO to investigate the financial accounts of Fana Hlongwane, a politically well-connected businessman, in relation to the 1999 deal. Mr. Hlongwane is a former special adviser to the then-South African Defence Minister Joe Modise, who died in 2001, and who is alleged to have received the bribe.

At February's World Economic Forum in Davos, Switzerland, South African President Thabo Mbeki "used unprecedented language to accuse Blair of hypocrisy," according to the South African *Business Day* on June 1, for singling out Saudi Arabia for special treatment by cancelling an investigation (which implicated the British government) by Britain's SFO into a BAE Systems arms deal with Saudi Arabia, while allowing an investigation of that company's past relations with the South African government to continue. The incident tarnished Blair's carefully manufactured reputation as a friend of Africa.

BAE's Rape of Africa: The Case of Tanzania

June 21 (EIRNS)—Investigators from Britain's Serious Fraud Office (SFO) have been pursuing evidence of a \$12 million slush fund allegedly used to bribe officials of Tanzania, into approving the \$50 million purchase of a military air traffic control system from BAE Systems in 2002. Tanzania, which has a grand total of eight military airplanes and a crushing national debt, had to borrow even more money to finance the sale, Truthout.com reported Jan. 27, 2007. The money came from another of Britain's politically wired institutions, Barclays Bank. Tanzania, in turn, repaid this loan with money that Blair's government had given it, ostensibly in order to support public education.

Thus, money that was supposed to help educate Tanzania's children, was laundered into the coffers of BAE and Barclays. Even the World Bank and members of Tony Blair's own cabinet objected. The World Bank pointed out at the time that the equipment being sold to Tanzania was outdated.

This "white elephant" deal was foisted on a country where life expectancy is 43 years, where the poorest third of the population lives on less than a dollar a day, and where 45% of all public funding is provided by Western donors.

Former cabinet minister Clare Short, who resigned in protest after the invasion of Iraq, said, "It was always obvious that this useless project was corrupt," adding, "When BAE calls, Tony comes running."

U.S., UN Are 'Sleepwalking to Failure' in Somalia

June 21 (EIRNS)—Somali opposition forces are politically uniting, strengthening, and planning a conference next month to hone their strategy for ousting the Somali government and the Ethiopian troops backing it, according to an unnamed Somali official cited in the *Washington Post* yesterday. The opposition is reaching out to different clans, and citizens, without any preconditions. The source said that the conflict is now becoming one between Ethiopia and Somalia, rather than between different groups of Somalis. Groups that once were quarrelsome and fragmented are unifying against their common enemies, including the United States.

Earlier this month, a group calling itself the Global Anti-Aggression Campaign met in Doha, Qatar, and issued a statement condemning "Ethiopian naked aggression," and Ethiopia's "collaborators." Participants included former Islamic Courts leader Sharif Ahmed, the former speaker of the Somali parliament, and members of the Somali diaspora. The group will hold a conference in July to establish a "Somali national movement for the liberation of the country from the foreign oppressive occupation by all legitimate means available."

The official in Mogadishu said on June 18 that the United Nations, as well as the United States and other nations, are "sleepwalking to failure" in Somalia, by continuing to back a government that refuses to acknowledge the opposition except by fighting it. "The Somali government is in a state of denial," the official said. "They can't accept that there is an opposition, and that's very foolish. There are daily roadside bombs in Mogadishu. Today for example. And it's almost every day." The *Post* says that analysts are comparing the pattern of developments in Somalia, "to Iraq on a small scale," after the U.S.-backed invasion.

On June 19, Somali Presidential spokesman Hussein Mohamed Mahamud was shot twice at close range, according to a Reuters release that day, which cited a security source, who said: "He was shot in the neck and near the jaw. I think the gunman was aiming for the head. He wanted to eliminate him." There were two other attacks on government targets that day, according to the release. A land mine targetting passing government vehicles was detonated, killing two people, and one policemen was killed when attackers struck a police station in northern Mogadishu.

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