

[return to home page](#)

In-Depth Coverage

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Executive Intelligence Review,
Vol. 34, No. 21
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Feature

Fête for Professor Menshikov: LaRouche in Russia Is Featured Guest at Academy of Sciences

Lyndon LaRouche travelled to Moscow to participate in the Russian Academy of Science's celebration of the 80th birthday of Stanislav Mikhailovich Menshikov, the prominent Russian economist. Professor Menshikov introduced LaRouche as his personal guest at the events.

Top Russian Website Interviews LaRouche

A popular Russian web portal interviewed LaRouche in Moscow, noting his opposition to the IMF and World Bank, and asking him about the economic crisis in the United States.

LaRouche: We Need a Mission-Oriented Planet To Defeat Globalization

Addressing a private luncheon with Washington-based foreign diplomats on May 8, LaRouche demonstrated that we are now at one of the most critical points in all known history.

LaRouche: Will There Be an '08 Presidential Election?

Economics

Cerberus Takeover of Chrysler Sends Auto Deeper Into Hell

Cerberus Capital Management's takeover of the U.S. auto industry, with Chrysler being its latest victim, is facilitating a systematic course of looting and shutting down the U.S. auto industry.

Trans-Korean Rail Opens Way for Eurasian Development

International

The World Needs a 'New Deal'!

After the French Elections: Is All Europe Going Neo-Con?

Helga Zepp-LaRouche warns that because the French population voted May 6 for British control of the Elysée Presidential palace, Europe threatens to come under control of the neo-cons, who are headed for World War III.

Dick Cheney's Journey of Failures to Southwest Asia

The real intention of Dick Cheney's trip to Southwest Asia—to set up the basis for more war—was exposed by EIR and the press in the region before he arrived.

India Celebrates 150th Anniversary of War of Independence Against British

LYM Butchers `Al Gordo' With Exquisite Argentine Cut

In Memoriam:

Enéas Carneiro: Brazil Loses a Patriot, the LaRouche Movement a Friend

The Congressman was a fierce patriot and opponent of globalization, and an outspoken friend of the LaRouche movement.

- **Documentation:**

Excerpts from a speech by Enéas Carneiro, and from an EIR interview with him.

Nuclear Energy

Renaissance Spreads Around the World Will the United States catch up as the rest of the world goes nuclear?

National

Resounding Battle Cry for Bush-Cheney Impeachment

The LaRouche Youth Movement reports on the surge in the American population, demanding the impeachment of Dick Cheney and George Bush.

What Are Cheney and Addington Hiding About NSA Spying on Americans?

Case for Impeachment

Cheney's Impeachable Crimes Highlighted at UDC Forum

A significant amount of previously unknown, dramatic new evidence to why Vice President Dick Cheney should be impeached for 'high crimes and misdemeanors' was presented by a group of leading U.S. intelligence and military veterans, joined by investigative authors at a forum at the University of the District of Columbia. A slightly edited transcript of the discussion.

Departments

Banking

A Special Kind of Incompetence.

Book Reviews

Cervantes Would Have Been Impressed

The Golem, and the Wondrous Deeds of the Maharal of Prague, by Yudl Rosenberg, translated by Curt Leviant.

A review by Lyndon H. LaRouche, Jr.

Cooking the Books For an Unjust War

The Italian Letter: How the Bush Administration Used a Fake Letter to Build the Case for War in Iraq

by Peter Eisner and Knut Royce.

Editorial

Globalization Kills!

U.S. Economic/Financial News

'Bait and Switch' Insurance Tactic Threatens the Aged

May 17 (EIRNS)—Regence BlueShield on May 15 began notifying its individual-plan customers in Washington State that their premium rates will rise, starting in July, with an average increase of 19%—but, for the elderly, the increase will be 40%.

In a letter to state legislative leaders, Washington State Insurance Commissioner Mike Kreidler said: "I have serious concerns that consumers may have been whipsawed in an effort by Regence to increase market share." But the *Seattle Times* says that he is powerless under current law to stop the rate hike, which will force some to drop their insurance altogether.

In an e-mail, Don McCanne, the senior health policy fellow of the Physicians for a National Health Program, explained how the insurance "industry" runs the scam: The insurer holds premium rates down for a period to attract more customers, increasing its market share, diminishing its competition. Then the insurer raises premium rates sharply to recover deferred profits, and provide an additional generous profit margin for current insurance sales. Wall Street dignifies this process by calling it the insurance underwriting cycle, but it is nothing more than a devious bait-and-switch scheme.

"Those facing a 40% premium increase are not only aging, but many of them have developed significant medical problems. By making premiums unaffordable for this high-cost sector, many will have to drop their coverage. This advances Regence's business plan to selectively insure the healthy," McCanne wrote.

Schwarzenegger Budget Proves: He's Still Shultz's Fascist

May 17, 2007 (LPAC)—California Governor Arnold Schwarzenegger's Fiscal 2008 budget plan ends his period of smiling "bipartisanship" and a return to his incarnation as the fascist creature of George P. Shultz.

Programs for the poor, blind, disabled, and elderly will be cut in Schwarzenegger's budget; Wall Street obligations will be

met, and the Shultz/Felix Rohatyn privatization schemes to loot state assets are ready to go. Four months ago, Arnie bragged that he would eliminate the "net operating deficit" that has plagued California since the IT bubble popped in March 2000. With his revised budget, which he released on May 14, he acknowledged that the state's budget "still lives on the razor's edge" (i.e., that he cannot eliminate the deficit), but claimed that the revisions he has made to the budget are "very careful and very responsible."

Once again, he lied. Nonpartisan legislative analyst Elizabeth Hill released a quick evaluation of the governor's plan, in which she said that his future revenue estimate is overly optimistic; that the operating deficit, which Arnie's team of budget-cutting fascists claimed would be \$1.5 billion, will more likely grow by an additional \$1.7 billion, to over \$3 billion; and the deficit could reach nearly \$7 billion by 2009.

Since the figures don't add up, Schwarzenegger is moving to cut spending for those who can least afford cuts. More than \$500 million will be cut from welfare, while \$1.3 billion raised from fuel taxes will be diverted away from transportation, to cover other expenses—this despite his admission that state infrastructure is in an advanced state of disintegration. His new budget will eliminate grant increases previously approved for programs for the aged, blind, and disabled, and funds earmarked to help local governments reduce property taxes for farmers. At the same time, he is adding 10% to tuition fees for universities, and will begin a foot-in-the-door for privatization, by selling off the state lottery to private entities. Arnie's controller, synarchist banker George Shultz, has insisted repeatedly, that more state-run entities—including infrastructure—be privatized.

Largest Drop in New Home Permits Since 1990

May 17 (EIRNS)—The *Washington Post* reported today that the number of builders' requests for future home-construction permits fell by 8.9% in April, the largest drop in 17 years. A small gain was registered in April of homes constructed, but even with that slight improvement, "housing construction is 25.9 percent lower than a year ago...." The *Post* reports that analysts say that "the far more telling figure was the drop in permits, given that they are viewed as a better indicator of where housing is headed."

Grassley Hits Hedge Fund Secrecy in New Bill

May 16 (EIRNS)—Sen. Charles Grassley (R-Iowa), the ranking minority member on the Senate Finance Committee, introduced a bill on May 15 to require hedge funds to register with the Securities and Exchange Commission. "The Hedge Fund Registration Act," Grassley said on the floor of the Senate, would "clarify that the Securities and Exchange Commission (SEC) has the authority to require hedge funds to register, so the government knows who they are and what they're doing." Currently, hedge funds operate in "total secrecy," Grassley noted.

Congress needs to act, Grassley insisted, because the D.C. Circuit Court of Appeals in 2006 overturned an SEC regulation requiring hedge funds to register. Grassley concluded, "These funds don't want people to know what they do and have fought hard to keep it that way. Well, I think that's all the more reason to shed some sunlight on them to see what they're up to."

"A lot of pension holders are in the dark about their exposure to hedge fund losses because transparency is so inadequate," Grassley said in a press release.

Banks Frantically Dumping Foreclosed Homes

May 14 (EIRNS)—The unbroken surge of U.S. home foreclosures over the last 20 months has led many banks, which own

a glut of repossessed homes, to begin selling them, and pushed the U.S. banking system deeper into bankruptcy. Here are some recent examples:

* At an auction of 100 banker-repossessed homes, held May 12 in San Diego, America's eighth most-populous city, "houses and condos typically sold for 30% below the previous sale or appraisal prices," the May 14 *Wall Street Journal* reported. "In a few cases, discounts were around 50%." Previously in San Diego, an inventory of 8 to 9 months of unsold condo homes was considered typical; currently the city has an inventory of 29 months!

* The May 13 *Detroit Free Press* reported that, by the end of the first quarter 2007, in metro Detroit, one in every 51 households has filed for foreclosure, the highest rate for any major city in America. This has driven down home prices. Ron Simpson, Detroit Association of Realtors president, explained, "In the past, foreclosed or distressed houses were not considered as part of the appraisal process, but because they've become such a norm in this market, they are assessed as any other home. Because they are included, they are driving the values down."

* The Charlotte, North Carolina-based Lending Tree, one of the most heavily advertised mortgage lending institutions in the nation, announced May 11, that it will fire 440 workers, one-fifth of its 2,200-person workforce.

* Four mortgage lending institutions have gone under since April 27: Millennium Lending, a non-prime mortgage lender; Dana Capital Group, a mortgage lender; Nation One Mortgage, an Alt-A lender; and Homeland Capital Group, a mortgage lender. This brings to 66 the number of mortgage lenders that have failed since late 2006.

Hedge Fund Managers Admit the End Is Nigh

May 14 (EIRNS)—A newly released book, *Inside the House of Money*, by Steven Drobny, quotes from a number of hedge fund managers about the disaster ahead. Jim Leitner of Falcon Management, says: "Right now there are a lot of bad things lurking, but I'm just not sure when we're going to fall on the knife." Scott Bessent of Bessent Capital: "At some point, we will have the Big One. It's out there." A fund manager who preferred to remain anonymous, said: "When you look at the whole world and see what it's built on, it is totally, clearly, not sustainable."

Ambrose Evans-Pritchard reports these quotes in today's *Daily Telegraph*, adding that "regulators are now fretting, afraid that the funds have grown too big. They warn that speculators clustered on the same trades might lurch en masse across the deck, capsizing the boat."

Bernanke: 'More Home Foreclosure Equals More Demand'

May 18 (EIRNS)—Federal Reserve chairman Ben S. Bernanke, speaking yesterday at the 43rd Annual Conference on Bank Structure and Competition at the Chicago Federal Reserve Bank, reviewed the increasing mortgage delinquencies of home loans, but concluded that there will be no consequential effects on the economy, and moreover, there should be no regulations imposed that might "inadvertently suppress responsible lending."

Using Fed-speak, Bernanke stated in his prepared speech, "We are likely to see further increases in delinquencies and foreclosures this year and next as many adjustable-rate loans face interest-rate resets. All that said, given the fundamental factors in place that should support the demand for housing, we believe the effect of the troubles in the subprime sector on the broader housing market will likely be limited, and we do not expect significant spillovers from the subprime market to the rest of the economy or to the financial system...."

World Economic News

London Resists German Push for Hedge Fund Control

May 10 (EIRNS)—As noted prominently by leading international media, the German government is aware of the fact that its proposal for international transparency of hedge fund activities has little chance of being realized at present, because of British obstruction. Germany's Finance Minister Peer Steinbrueck said yesterday, on the eve of today's meeting of G-8 finance ministers in Potsdam, that he is optimistic that a first step towards better supervision of funds will come by the end of this year. He said that resistance to fund transparency comes mainly from London, and also from New York financial circles, but that on the American side, there is support for the German initiative, notably by the Securities and Exchange Commission. An agreement signed between the SEC and its German counterpart BAFIN, on cooperation and exchange of information on "risk cases" among banks and funds, has to be seen in this context.

Steinbrueck also received backing from several labor unions in Germany, today, including the nation's largest, the metalworkers, as well as the banking sector and services unions. Fund control also has become a hot issue in the ongoing communications workers' strike, addressing the cost-cutting drive of the Blackstone Fund, the third-largest shareholder at Deutsche Telekom.

EIR has learned from discussions with representatives of individual equity funds and their national association BVK, that the latter distances itself from aggressive hedge funds, but that it also notes a radicalization of the debate on fund control, which has had its impact on the German government. The national legislation that Steinbrueck plans, has to be taken seriously, as it cuts deeply into the ability of funds to act on the financial markets. The BVK is not really in favor of it, because in their view it goes too far back to the harsh polemics in 2005 against the "locust" funds, but it also sees that resistance from London, where most of the hedge funds are located, is making even voluntary regulations on an international scale impossible.

Top German Regulator Warns of Financial 'Bloodbath'

May 15 (EIRNS)—Jochen Sanio, head of the German financial regulatory agency BAFIN, chose blunt language yesterday to warn of a "bloodbath" caused by the over-leveraged hedge funds, according to today's German newswires. "I hope those who are playing with fire there, know what they are doing before their fingers get burned." There is absolutely no transparency; no one knows how big the risks really are—apparently including those who are directly exposed to them. Proof is the fact that risk premiums are extremely low, which just boosts the explosive growth of credit derivatives. BAFIN is extremely alarmed over these developments, Sanio said, and he supported the initiative for fund transparency which the German government is trying to get through the Group of Eight over British opposition.

On the closely related question of junk bonds, Dan Fuss of Loomis Sayles Bond Fund told Bloomberg today that "I haven't felt this nervous about a market ever." He said that high-risk securities are showing unmistakable signs of a bubble, with sales of the riskiest bonds increasing 39% from last year.

More than half of the junk bonds sold this year were used to pay for leveraged buyouts and mergers and acquisitions, according to Barclays Capital. A new development is that some contracts allow borrowers to choose to make their interest payments in additional junk bonds, instead of cash! "This is fantasy land for corporate treasurers," said Edward Altman, a professor of finance at New York University's Stern School of Business.

There have been ten sales of such so-called toggle bonds this year, amounting to \$5.14 billion. There were five sales totaling \$4.05 billion last November and December. Only one such issue was ever sold before November 2006.

Chinese Workers' Living Standards Unchanged in 50 Years

May 17 (EIRNS)—A Chinese scholar from a leading Beijing think tank has confirmed to *EIR* that, despite the popular opinion in the West that China's general population is rapidly getting richer, the standard of living of the industrial, blue-collar workforce, supposedly at the center of the booming Chinese economy, has not changed over the past 50 years. Combined with the continued extreme poverty of the agricultural workforce, there is a dangerous potential for economic and social instability across China in the case of a breakdown of the imports to the U.S., or a similar economic crisis.

The scholar also indicated that this problem is at the center of President Hu Jintao's intention to shift the underlying economic structure of China over the next year, from a primary focus on exports, to enhanced domestic consumption and a general welfare orientation, with a broad safety net.

Abbott Labs to Thailand: Pay or We'll Kill You

May 15 (EIRNS)—Abbott Labs, the producer of the HIV/AIDS drug Kaletra, is retaliating against Thailand's move to use a generic version of the drug, by withdrawing applications to introduce seven new drugs in Thailand, including a heat-stable version of Kaletra. More than 1 in 100 adults in Thailand is infected with HIV, and AIDS has become a leading cause of death.

Thai Health Minister Mongkol na Songkhla last week received the support of former U.S. President Bill Clinton for his move, perfectly legal under international law, to override drug company patent protections in cases of life or death. Clinton's move marked a decisive public break with the genocidal AIDS policy of his former Vice President, Al Gore.

The Thai patent override procedure is known under World Trade Organization regulations as compulsory licensing. Abbott Labs is offering to reduce the price of Kaletra, only if Thailand gives up the compulsory licensing. Health Minister Mongkol na Songkhla said yesterday that he would not cancel his policy unless the drug companies lowered their prices to less than those for generic copies. The drug company is also implicated in a slanderous public relations campaign, led by neo-con Kenneth Adelman, against Thailand.

Brown's Chancellory Website Promotes UK as Tax Haven

May 14, 2007 (EIRNS)—British Chancellor of the Exchequer Gordon Brown, in line to replace Tony Blair as Prime Minister in late June, has, during his ten years at the Chancellory, developed a notorious reputation among opponents of offshore tax havens and tax evasion.

Now a British government website under Brown's purview—The UK Trade and Investment website—is promoting the UK as a tax haven, by highlighting its unusually generous tax treatment of foreign residents, according to the May 14 *Financial Times*. These "non-domiciled" residents—often wealthy individuals, born outside the UK, who have been living in Britain for many years—escape taxes by listing their "work" as done in another country, or in some offshore center. Hedge funds, for example, which have such non-domiciled residents as partners, can shield profits from taxation in that way.

United States News Digest

John Edwards—Up to His Neck in Caymans!

May 17 (EIRNS)—John Edwards, a leading candidate for the Democratic Presidential nomination, revealed in his Federal

Election Commission filings of net worth yesterday that he made nearly \$8 million from his short-term association with the hedge fund Fortress Investment Group.

Edwards, who was paid \$479,000 in salary by Fortress, as a "senior advisor," from October 2005 until December 2006, has made fighting poverty the signature issue of his campaign. He said he was unaware of Fortress's heavy involvement in subprime lending, which preys on those with poor credit ratings by offering high interest rates and hidden charges.

Yesterday's filing also showed that Edwards made more than \$7.5 million from his investments with Fortress. One of the Fortress funds which Edwards reported as an asset, the Investments Fund III (Fund D) LP, was incorporated in the Cayman Islands. Edwards the candidate has denounced offshore tax havens, and promised to shut them down. His spokesman insisted that Edwards has paid taxes on the hedge fund profits, according to the *Washington Post*.

Hedge funds, together with the private equity firms they dominate, have destroyed many U.S. industries.

Hagel: Early Primaries 'Locked Down Our Ability To Govern'

May 17 (EIRNS)—Less than a week after Lyndon LaRouche warned that the front-loading of the Presidential primaries is contributing to making the nation "ungovernable," Sen. Chuck Hagel (R-Neb.) told the Center for National Policy in Washington that the early scheduling of the U.S. Presidential primaries "has paralyzed, locked down our ability to govern," at a time that a bipartisan consensus must be forged to solve the problem of the U.S. presence in Iraq. Noting that at least two candidates are likely to come from Congress, Hagel said, "And do you believe honestly that somehow the two parties and the White House and everybody jockeying for advantage with the debates already started, and the Presidential campaign started at a very heated clip, ... do you think that is conducive to any kind of nonpartisan consensus to try to get things done? Of course, not. It makes it worse, and that's what you're seeing right now. And it'll only get worse, and that's why it's even more dangerous."

Korb: It Will Take a Decade To Rebuild National Guard

May 17 (EIRNS)—Dr. Lawrence Korb, Senior Fellow at the Center for American Progress, responded to a question from *EIR* today, that the longer the National Guard is "being used as an operational reserve for Iraq [rather than a strategic reserve, as it was in the Cold War], the more risk you are taking at home, and the more you are destroying the National Guard." Korb, citing the fact that the Guard was supposed to be deployed abroad for only one of every six years, said it would "take a decade to rebuild it."

Korb, Maj. Gen. Melvyn Montano, USAF (ret.), and others spoke at a telephone press conference to address the need to strengthen the National Guard to respond to state disasters.

Montano, who served as the Adjutant General of the New Mexico National Guard, told *EIR* that every state has a National Guard adjutant general who advises the governor on what is needed in any state disaster. Montano and others pointed out, that due to the fact that 48% of the equipment of the Kansas National Guard was in Iraq, it took two full days after the May 4 tornado struck Greensburg, Kansas, before a significant number of vehicles arrived at the disaster scene.

Retired Generals Slam GOP Candidates for Promoting Torture

May 17 (EIRNS)—Two top-ranking retired generals—former Central Command chief Joseph Hoar, and former Marine Corps commandant Charles C. Krulak—took to task all but one of the Republican candidates who appeared in the May 15 Presidential debate in South Carolina, for their failure to condemn torture of prisoners, the only exception being John

McCain, who was himself tortured in North Vietnam during the Vietnam War.

At that debate, in response to a set-up question from Fox TV's Brit Hume, Rudy Giuliani said he would tell interrogators to use "every method they could think of" in questioning a prisoner who supposedly knew about pending attacks on the United States; Mitt Romney said he supports "enhanced interrogation techniques"—a euphemism for torture, and added that rather than closing Guantanamo, "we ought to double Guantanamo." Both answers were cheered and applauded by the audience, in a Nuremberg-rally atmosphere.

In their op-ed in today's *Washington Post*, Hoar and Krulak point out that "every other nation that has tried to engage in a little bit of torture—only for the toughest cases, when nothing else works"—has found that once started, "the abuse spread like wildfire."

Hoar and Krulak point to the military's mental health assessment released earlier this month, which, they say, "shows a disturbing level of tolerance for abuse of prisoners." Hoar and Krulak stress that there can be no ambiguity from the top on questions such as prisoner abuse and torture, because under the stress of combat, "rules must be firm and absolute; if torture is broached as a possibility, it will become a reality."

The failure to follow this standard in recent years "has had disastrous consequences," they point out. "If we forfeit our values, we only hurt ourselves and strengthen the enemy," adding, "This way lies defeat, and we are well down the road to it."

An interview with General Hoar was published in the April 27 issue of *EIR*; see www.larouchepub.com/other/interviews/2007/3417joseph_hoar.html

Bush Finally Gets a War 'Czar'

May 16 (EIRNS)—On May 15, the White House announced that it had selected Lt. Gen. Douglas Lute, director of operations for the Joint Chiefs of Staff, to be the so-called "war czar," a position turned down by at least five retired four-star officers to whom it was offered. Officially, Lute is going to be assistant to the President and deputy to National Security Advisor Stephen Hadley, and will brief the President every morning on the Iraq and Afghanistan wars. According to several sources contacted by *EIR*, the Joint Chiefs of Staff most likely urged Lute to take the job, so that somebody who is not an enthusiast for the Bush-Cheney surge in Iraq would be at the White House, to represent the views of the Chiefs.

That view tends to be corroborated by coverage in the *Washington Post* and *New York Times*. The *Post* reports that Lute was a key internal voice of dissent on the troop increase in Iraq, and argued that an increase in forces would do little good without an equally large effort in the political and economic realms. Lute told the London *Financial Times* in an August 2005 interview, in which he was arguing for a reduction in U.S. troop levels, "You simply have to back off and let the Iraqis step forward. You have to undercut the perception of occupation in Iraq."

Before taking his present position, Lute spent two years as director of operations at U.S. Central Command, overseeing the two wars.

EIR has previously reported that the Joint Chiefs were adamantly opposed to the creation of the "war czar" post, as an infringement of their constitutional role. Under the National Security Act of 1947, the Chairman of the Joint Chiefs of Staff is the principal military advisor to the President.

Congress Seeks To Grill Tenet and Rice on Yellowcake Lies

May 15 (EIRNS)—The House Oversight and Government Reform Committee has secured the cooperation of former CIA Director George Tenet in its investigation of faked pre-war intelligence on Iraq, according to the Washington daily *The Hill* today.

Tenet has agreed to appear for a closed-door deposition regarding the claim that Saddam Hussein had sought uranium ore (yellowcake) from Niger, one of the key lies used to dupe Americans into believing that Iraq was building weapons of mass destruction.

Committee chairman Henry Waxman (D-Calif.) also announced that a hearing scheduled with Secretary of State Condoleezza Rice has been postponed from May 15 to June 19, 2007. This will allow former CIA Director George Tenet to testify with Rice, and will accommodate Rice's travel schedule, according to the website of the Committee.

The Committee also sent a letter to Stephen Hadley, the National Security Advisor, who was the deputy to then-National Security Advisor Rice at the time the yellowcake lie surfaced in 2003.

Cheney War Drive vs. Iran Continues Despite U.S.-Iran 'Talks'

May 14 (EIRNS)—It's no accident that the White House National Security Council announced that U.S. Ambassador to Iraq Ryan Crocker would meet with Iranian officials to discuss stability in Iraq, while Vice President Cheney was out of the country, a high-level Washington, D.C. intelligence source told *EIR* today. With the war in Iraq worsening by the day—if not by the hour—U.S. institutional and Republican forces have been trying to separate the White House from Cheney's war drive to attack Iran, but with little success.

Bush is too weak, and too dependent on "Svengali" Cheney to resist the war drive, the source said. One mode of operation that has been adopted in the White House is to make announcements, especially through Secretary of State Rice, or through the NSC's counterterrorism chief Fran Townsend, without seeking Cheney's approval beforehand. However, the source said, this cannot curtail Cheney—he can veto Rice or the NSC after the fact, and has done so in the past.

In December 2006, the Iraq Study Group told President Bush that the U.S. must "engage" Iran, along with Syria, in order to achieve peace in Iraq, but Cheney blocked that policy.

While on a visit to the Persian Gulf region, when the announcement was made about the upcoming Crocker/Iran talks, Cheney asserted, there is "no change in policy." The U.S. will prevent Iran from having a nuclear program, and the talks would be limited to Iraq issues only. A well-placed Egyptian source told *EIR* that Cheney would succeed in sabotaging these talks, and then would proceed with selling the Iran war, having declared that "diplomacy has failed." That was Cheney's message throughout his trip to Southwest Asia.

Ibero-American News Digest

Racist Gore: Bolivia Is 'Over-Developed'

May 15 (EIRNS)—Speaking May 11 at the launching of his "National Productive Plan" at the Casa Rosada in Buenos Aires, Argentina's President Nestor Kirchner offered a polemical counterpoint to "Al Gordo's" racist assertion in the same city, at the First Biofuels Congress of the Americas, that nations such as Bolivia had "spoiled" nature by building infrastructure and developing the countryside.

Bolivia is the poorest nation in South America, which in some key areas, such as electric power consumption per capita, falls below the levels of the African nation of Zambia, for example. As the World Bank's own statistics demonstrate, in 2004, Bolivia consumed 435.12 KWh per capita, compared to Zambia's 692 KWh per capita. Argentina, by contrast—which is by no means a developed nation—consumed 2,300.77 KWh per capita for the same year. Also in 2004, only 60% of Bolivia's urban population had access to improved sanitation facilities, compared to Zambia's 59%, and Argentina's 92%. Again, according to the World Bank, the life-expectancy of Bolivians in 2005, was 65 years. Overdeveloped?

In his speech, Kirchner described the mentality that Gore exemplifies, although without naming him. In opposition to those committed to building the nation, there is Argentina's right wing, "which says that wealth has to be concentrated in a few hands; who want a country of services, [who say] you have to control spending, because if you build too much housing, the books won't balance, and that's no good. That's how the neoliberals think. Of course," he said, with a hint of sarcasm, "if there are better hospitals ... with better equipment and more investment, you will discover new diseases, and spend even more money." For the neoliberals, he noted, this is spending too much money. "But for us, it's justice, security, giving people what they really deserve."

Addressing the infrastructure deficit in poorer northern region of Argentina, Kirchner stated firmly, "We have to multiply investment; we have to bring them electricity, gas, roads, strengthen the hospitals. We have to have huge investment in infrastructure, because it can't be the case that people lack basic services.... These are inalienable rights of all human beings."

Brazil: 'Ethanol Soaked in Blood, Sweat, and Death'

May 17 (EIRNS)—Brazil's ethanol is the cheapest in the world, and the Bush Administration has hired Brazil to promote its ethanol program as the economic salvation for poor countries from the Caribbean to Africa. That the Bush family and administration would promote a product based on slavery is no surprise, but what's wrong with Brazil's President Lula da Silva?

President Lula was confronted directly in his May 15 press conference on this scandal: What is the Brazilian government going to do to stop the "exploitation of slave labor" in the nation's sugarcane fields, as it expands ethanol production? Rede TV correspondent Marcos Roberto Silva asked. Will it propose legislation to regulate labor conditions? Lula acknowledged cane-cutting conditions need to be "humanized," but said he preferred "discussions" between companies and workers, not regulation.

A film produced with the aid of the Brazilian Catholic Church's Pastoral Land Commission (CPT) documents the slave labor conditions of Brazil's sugarcane plantations, and was shown at a recent hemispheric meeting in Havana, Cuba, by the filmmaker, Maria Luisa Mendonca. Cuban President Fidel Castro made the text of the film available in a May 15 article in Cuba's *Granma*.

"In Brazil, sugar and ethanol are soaked in blood, sweat, and death," a Ministry of Labor researcher in Sao Paulo told Mendonca. Cane cutters are not even paid an hourly wage, but only by piecework, expected to cut 15 tons a day, and, at the end of a day which often begins at 3 a.m. and ends at 8 p.m., earn \$3, at most.

Cutters are usually migrants, poor, and often indigenous, and include many children. They are brought to the sugar fields by contractors who control their lives. Workers in the Northeast report they are paid sometimes in vouchers; sometimes not at all, if the foreman doesn't feel like "calculating cane" that day. No benefits, no maternity leave, no vacation, no health care, no food. They are transported in cattle trucks, treated worse than animals, which are at least given water. No bathrooms or running water are provided; often they don't have even wood for cooking, unless they go out and scavenge it

for themselves. Protective equipment is not provided, and many people work barefoot, or at best in sneakers, swinging machetes in fields. In March 2007 alone, the Ministry of Labor rescued 288 sugar workers from direct slavery in Sao Paulo alone.

That does keep labor costs low, and multinational cartels and the filthy rich—Bunge, ADM, Dreyfuss, George Soros and Bill "videogame killer" Gates—are rushing to buy up Brazilian sugar mills, to get in on the ethanol export market.

Correa: Health Care Is a Human Right, Not a Commodity

May 15 (EIRNS)—Launching a National Campaign for Health, Solidarity, and Social Responsibility on May 8 in the city of Quevedo in Los Rios province, Ecuadorean President Rafael Correa lashed out against neoliberal ideology that has defined health care as a "commodity that you buy and sell" in the market. Instead, he sharply warned his listeners, it is "a fundamental right of each human being."

As Radio Sucre reported the same day, Correa told health-care providers to "listen closely." Never again "shall we live off of charity. There is no first-class or second-class health care, but only first-class for those who don't have it."

As the President explained, this new health-care initiative will be run by the state, as it should be, to upgrade health-care services and extend them into some of the most remote areas of Ecuador, where they have been previously unavailable. To address the emergency in the national health-care system, 2,800 doctors will be hired immediately. The national plan will offer free medicine, upgrade medical technology, and make it accessible to all, provide preventive care, and above all, "a humane and dignified treatment for all." Mobile Brigades will be established, and will travel by air, land, and sea to bring both general and specialized medicine, as well as dental services, to needy populations. Medical boats will also travel the rivers of the country's Amazon region, offering specialized care to inhabitants.

Look Who Paid for Lula's Second Presidential Election

May 18 (EIRNS)—Santander Bank, the Queen of England's own fascist Spanish bank, was the second-largest contributor to President Lula da Silva and his Workers Party (PT) electoral campaigns in 2006, contributing some \$1.7 million, *Folha de Sao Paulo* reported yesterday. After reviewing the PT's recent report to election authorities, the paper reported its largest contributors were public works contractors, the banks, and—no surprise, given Lula's current "obsession" with slavery-based biofuels—ethanol producers.

Santander was rewarded with a cabinet seat (Development, Industry, and Trade Minister) and a top Central Bank post, in the second Lula Administration. The bank demanded that it also be given control of Brazil's giant development bank, BNDES—a move denounced on the LaRouche PAC website (www.larouchepac.com) on April 18 as an attempted economic coup by the British monarchy—but that bid failed.

EIR: 'Go Nuclear!' To Green Peru's Desert Coasts

LIMA, May 14 (EIRNS)—*EIR's* Luis Vasquez Medina raised the urgency of using nuclear energy to power the desalination plants which Peru must build to green its desert coastal regions, during an international conference on "Water for Cities: Desalinization. A New Technology, Looking to the Sea," held at Universidad San Ignacio de Loyola in Lima on May 10.

An expert from Lima's public water company, SEDAPAL, told the conference that the scarcity of potable water along the whole of Peru's coast will become a crisis of the first order within ten years, at the latest, if action is not taken now. He

reported that the Peruvian government is studying the possibility of building desalinization plants in three places: the port of Paita in the North, two plants in Lima for the central coastal region, and the port of Ilo in the South.

The panelists, who included speakers from the Spanish desalination and water treatment company, INIMA, which co-sponsored the conference, a Chilean expert, and a Peruvian who has worked closely with the South American Regional Integration Initiative (IIRSA), all agreed that powering desalination plants represents more than half their cost, but they limited Peru's options to using natural gas, which Peru produces.

Nuclear power would be far more economical, Vasquez Medina pointed out, because nuclear plants can be dual-use, generating electricity as well as providing desalination. Such plants could also power the pumping of the Amazon River tributaries and the waters of Lake Titicaca to Peru's arid regions.

The LaRouche movement in Peru has campaigned for just such an integrated approach around nuclear energy for years, publishing an ambitious program in 1990 for the development of Peru, as part of opening the whole interior of South America, by crisscrossing it with transcontinental development corridors. The movement's "Mercantilist Manifesto for an Industrial Peru" is still valid today. That program specifically identified the ports of Paita, Lima, and Ilo as starting points for the needed Atlantic-to-Pacific development corridors, and proposed powering those projects by combining two agro-industrial nuclear complexes ("nuplexes"), NEOLMAR in the North, and the Nucleoelectrica del TITICACA in the South, with the transfer of the hydroelectric bounties of the Amazon Basin and the Lake Titicaca basin.

Western European News Digest

London Drives New Cold War Between Russia and Europe

May 15 (EIRNS)—On the eve of the May 17-18 European Union summit in Samara, Russia, the governments of Poland and the three Baltic Republics (Lithuania, Latvia, and Estonia), manipulated by London, have piled up one obstacle after another, to trigger Russian retaliation and paralyze the summit, if they cannot prevent it.

Nominally, the main attempt at sabotage is to delay talks about a new long-term EU-Russia treaty on cooperation, especially on Russian gas and oil deliveries to Europe; but at the core, the focus is to disrupt a continental cooperation design that would make Europe and Russia equal partners in the development of the Eurasian Land-Bridge. So far, long-term economic and industrial cooperation agreements exist only on a bilateral level, between Russia and Germany, Italy, France and Austria; and between Russia and some of the eastern EU member states such as Bulgaria, Romania, Hungary, and Slovakia.

The frictions which these provocations have caused inside the EU broke into the open at two preparatory meetings for the summit in Brussels, May 11 and May 14, with clashes between German diplomats and those of the Baltic states and Poland, the latter threatening to veto any decision of the summit, if they could not call it off altogether. The Germans called on the other faction to "return to a policy of reason," instead of piling on ever-new demands, but to no avail. The Polish government chose a provocative move instead, announcing in Warsaw May 14 that official talks with the Bush Administration about stationing missile defense systems close to the Polish-Russian border would begin on May 21. Russia has warned repeatedly that the strategic character of these systems undermines all signed arms control agreements with the U.S., and calls for a Russian response.

French Trade Union Will Resist Sarkozy Labor Destruction

May 13 (EIRNS)—Independent.com reported yesterday that Bernard Thibault, the head of the France's largest trade union

confederation, the CGT, has warned President-elect Nicolas Sarkozy that any attempt to ram through his radical reform program will lead to a battle and strikes against those proposals. Sarkozy's proposals include ending the arrangement by which some public workers are allowed to retire at 55; compulsory strike ballots; a legal obligation for striking transport workers to provide minimum service; and changing the 35-hour work week. The article notes that the strength of the unions in public services, especially transport, "means strikes are high profile and highly effective in bringing the country to a halt." The current issue of the London *Economist*, in its article on Sarkozy's election, predicts turbulence for France in the coming six months: "Governments have repeatedly tried to trim privileges and benefits in order to rescue the welfare system from collapse, only to be defeated on the street...."

Las Vegas Mogul Sponsoring Bush Speech at Prague Conference

May 11—The White House announced April 24 that President Bush would speak at a conference in Prague June 5, sponsored by billionaire casino owner Sheldon Adelson, funder of the extreme right in Israel, as the first event in a European tour. Bush will attend other events in Poland, Albania, and Bulgaria. He will also be at the G-8 meeting in Germany, and will visit Italy and the Vatican.

Bush's foray into Eastern Europe and his speech at the highly political Prague conference, come at a time of deterioration of U.S.-Russian relations and could be seen as a provocation in the direction of a new Cold War.

The Adelson Institute for Strategic Studies at the Shalem Center in Jerusalem is the prime sponsor for the Prague conference, which is entitled "Democracy and Security: Core Values and Sound Policies." Former Soviet dissident Natan Sharansky, now a radical-right Israeli political leader and chairman of Adelson's Institute, will speak alongside Bush.

George Shultz Networks Behind New Danish Neo-Con Party

May 14 (EIRNS)—Hard on the heels of the explosive coverage and wide support for the Schiller Institute proposal for a maglev rail project in Denmark, comes the founding of a new political party. Called the New Alliance Party of Denmark, it was founded on May 7 by Naser Khader, an MP from the Social Liberal Party (Radikale Venstre) and two Danish members of the European Parliament from the Social Liberal and Conservative parties. In the first week of its existence, the party has been getting non-stop media promotion, and already has more than 10,000 dues-paying members (more than some of the parties in the parliament).

Khader's popularity came from the leading role he played in the *Jyllands-Posten* anti-Islam cartoon provocations last year, as a Muslim "standing up" to the Imams. Business leaders active in supporting in the *Jyllands-Posten* have also come out supporting the party, especially those in the circles around CEPOS (Center for Political Studies), the George Shultz-linked Danish version of the right-wing American Enterprise Institute. The media are also full of opinion polls showing that if there were an election now, the new party would get more than 10% of the popular vote, and speculating on how that could change the Danish political landscape.

Naser Khader was one of the stars in the movie "Islam vs. Islamists: Voices from the Muslim Center," that was initially slated to be shown on the PBS series "America at a Crossroads" propaganda documentaries, produced by Martyn Burke, and co-executive producers Frank Gaffney and Alex Alexiev. (The producers refused to edit the \$675,000 film, and it was eventually rejected by PBS because of its anti-Muslim bias.)

Just before founding the party, Khader was in the U.S. for meetings with neo-con circles.

Fabian Giddens Prescribes Green Fascism for Gordon Brown

May 15—Anthony Giddens, a de facto chief of the Fabian Society, former director of the Fabians' London School of Economics and expositor of the Fabians' Third Way doctrine, has written a new book to instruct incoming British Prime Minister Gordon Brown.

Giddens is known as the policy guru for Tony Blair, who made him Baron Giddens in 2004. He essentially runs the trans-Atlantic linkage between the Blair/Brown New Labour Party and the Gore/Lieberman Democratic Leadership Council.

Giddens calls for a new "Contract with the Future," much like Newt Gingrich's long-defunct "Contract with America," while emphasizing Malthusian lifestyles to "solve" Global Warming and finish off welfare recipients.

In a May 10 article for *Global Perspectives*, journal of the Center for the Study of Democratic Institutions, Giddens discussed themes in his book, *Over to You, Mr. Brown: How Labour Can Win*. He warns that both Brown and his Tory opponents would have trouble with ungovernability in this era, and that Brown's tenure as Prime Minister may be short.

The book was published in March 2007 by Giddens' own company, Polity Press, which puts out works by such existentialist authors as Theodore Adorno and Jacques Derrida.

Sarkozy To Push Kosovo Independence

May 11 (EIRNS)—The election of Nicolas Sarkozy to the Presidency of France has been received with apprehension in Serbia. Radio B92, a leading Belgrade station, aired an interview given by French political scientist Jacques Rupnik, of the Centre d'Études et de Recherches Internationales (CERI) in Paris, to Czech Radio on May 8, in which Rupnik claims that Sarkozy's policy on Kosovo and other foreign policy issues, will be more cooperative with Washington. Policy towards Russia, according to Rupnik, is supposed to be cooler than previously, comparing this expected policy turn to German Chancellor Angela Merkel's breaking with Gerhard Schroeder's close personal relationship with Vladimir Putin.

Instability Continues To Rock Turkey

May 13 (EIRNS)—Despite the success of the May 11 Parliamentary vote changing the constitution to allow for direct popular election of the President, instability continues to rock Turkey. At least 1 million Turks demonstrated in Izmir, Turkey's third-largest city today, to demand that the country remain a secular state. The demonstration took place despite a bombing in this port city that killed one and injured 14 the previous day. The demonstration was the fourth major protest against the government, which is controlled by the AK Party. The election of AK Party Foreign Minister Abdullah Gul as President of Turkey had been blocked, and Prime Minister Tayyip Erdogan has been forced to call parliamentary elections for July 22, months ahead of schedule. The AK Party is expected to win the parliamentary elections. The country will thus continue to be divided and will be increasingly ungovernable.

Bremen Election: More Evidence of Ungovernability

May 14 (EIRNS)—A message of discontent was delivered to the German government on May 13, as voters in the northwestern city-state of Bremen turned out in low numbers (only 58%, very low for Germany), while many of those who did turn out, voted against the ruling Christian Democrats and Social Democrats. The Bremen CDU-SPD grand coalition dropped from a combined 72%, to 62.4% on Sunday. The vote losses went to the benefit of the Greens, which increased from 12.8 to 16.5%, and of the Left Party (Linkspartei), which improved from 1.6 to 8.4%.

The fundamental flaw of the Bremen politicians was to keep the campaign debate on the level of "local issues," not addressing the really pressing economic crisis which concerns voters. This approach is scaring voters away, and it increases

ungovernability and instability in Germany.

Russia and the CIS News Digest

LaRouche Returns to Russia!

EIR's Russia and Eastern Europe Intelligence Director Rachel Douglas accompanied Lyndon LaRouche to Moscow in mid-May, and reported on the warm welcome he received there. See, "Fête for Professor Menshikov: LaRouche in Russia Is Featured Guest at Academy of Sciences, in this week's InDepth.

In addition, LaRouche was interviewed by a popular Russian web portal KM.ru which posted excerpts on May 17 and May 18. Our transcript is also published in this week's *EIR* InDepth.

Southwest Asia News Digest

Is Elliott Abrams Promoting Palestinian Civil War?

May 17 (EIRNS)—Clashes continue between Hamas and Fatah factions in Gaza, which have left 41 dead. On May 16, Hamas declared a unilateral ceasefire with the hope that fighting would end. At the same time, Israel has launched counter-strikes against Hamas targets in the Gaza Strip, in retaliation for the firing of Qassam rockets into Israel.

As *EIR* has reported over the past weeks, U.S. Deputy National Security Advisor Elliott Abrams, Dick Cheney's close ally, has covertly promoted a policy of provoking armed confrontation between Hamas and Fatah. According to well-placed Washington and Egyptian sources, Abrams is running a covert fund under the guise of "democracy promotion," that is providing arms to Palestinian factions, to provoke the conflict.

The sources added that the same pattern of Abrams-directed outside interference had been uncovered in January 2007, when civil war nearly erupted in the Gaza Strip. At that time, Saudi Arabia's King Abdullah intervened by sponsoring unity government talks in Mecca, that led to the formation of a Palestinian Authority coalition government, made up of Hamas, Fatah, and independent ministers. Under the so-called "Abrams Plan," armed confrontation between the rival Palestinian factions is to be promoted, leading to the collapse of the unity government, and early elections, in which, Abrams and his neo-con allies hope, Fatah would win and the "Hamas factor" would be diminished.

Shortly before the announcement of the ceasefire by Hamas, gunfire struck the home in Gaza of Palestinian Prime Minister and Hamas leader Ismail Haniyeh, in which, fortunately, no one was hurt. Despite the truce, two additional Hamas members were killed in clashes.

During the nearly week-long fighting, Fatah suffered the most casualties. Fatah leader in Gaza Mohammed Dahlan, who has been leading the campaign against Hamas, has been out of Gaza for the past week, undergoing surgery in a Cairo hospital.

Meanwhile Qassam rockets continue to be fired into Israel from the Gaza Strip. Israeli Defense Minister Amir Peretz has called for a temporary evacuation of Sderot, which has been the prime target of these attacks. Prime Minister Olmert has ordered a "harsh response" that would include a resumption of targetted assassinations.

Likud Party chairman Benjamin Netanyahu called on the government to cut off the water and power supply to Gaza in retaliation until the rocket-fire ends. Speaking at an event commemorating the 30th anniversary of the Likud Party first coming to power in 1977, Netanyahu said the government of Prime Minister Ehud Olmert "must leave this world."

LaRouche: Did Rice Tell Bush What Abrams Is Doing in Gaza?

May 19 (EIRNS)—Reviewing new reports of a covert operation to foment Palestinian civil war by National Security Council Middle East officer Elliott Abrams, Lyndon LaRouche said today that the question to ask is: "Did the Secretary of State tell the President about the problem?" Does the President know what is happening, or is the U.S. already ungovernable?

Abrams is a notorious neo-con warmonger, working on behalf of Vice President Dick Cheney and former Secretary of State George P. Shultz. Abrams, who was convicted of lying to Congress about the Iran-Contra affair, is actually running White House policy on the Middle East for Cheney and Cheney's boss, George Shultz.

In the 1980s, Shultz oversaw the destruction of Lebanon through fomenting civil war by arming different factions against each other. Now, the "Shultz plan" is being implemented in Gaza, through Cheney and Abrams, with the British Empire manipulating from "behind the curtains."

"Go to the cause of the problem," said LaRouche, which is the fact that the President of the United States is dysfunctional. "That's a strategic issue," he said.

There are other critical questions to be answered:

- * What is the source of the *Israeli* weapons that are covertly arming the Palestinian factions?
- * What is Abrams doing to hijack the policy of the United States?

Abrams has been the Secretary of State's "shadow" in every meeting in Israel and in the Arab world, report both Israeli and Arab sources, and he reports back to sociopath Cheney, who is trying to both liquidate Hamas, and to overthrow the Israeli government in order to bring in Bibi Netanyahu as Prime Minister.

And as Rice was reportedly attempting to get the Israelis and Palestinians to agree to meeting certain "benchmarks" in the course of resuming negotiations for Israeli-Palestinian "peace," Abrams was briefing American Jewish "communal leaders" that there was nothing substantive in Rice's actions. According to *Jerusalem Post* writer Nathan Guttman's article of May 16, published on lebaneselobby.org, Abrams told a "regular gathering" of Jewish Republicans that President Bush is an "emergency brake" who would prevent Israel from being forced into accepting conditions which it finds "uncomfortable." Abrams added that what Rice was engaged in was "just process," and did not have the backing of Bush.

Washington sources say that Abrams had no such assurances from Bush, and that it is quite likely that Bush is not briefed on what his "Svengali" Cheney is up to with Abrams.

Israeli Expert: 'Bush May Strike Iran Near End of Term'

May 16 (EIRNS)—A top Israeli strategic expert, Shai Feldman, warned that the Bush Administration could conduct a military strike against Iran toward the end of its term in office (January 2009), especially if Vice President Dick Cheney wins the policy debate over Iran. Feldman is formerly of the Jaffe Center for Strategic Studies and now director of the

Crown Center for Middle East studies at Brandeis University in New York.

"I, for one, don't exclude the possibility that the U.S. will act," Feldman told the *Jerusalem Post*. "My feeling, though, is that if it will act, it will act in the last months of the administration, mostly because I think that they are inclined to try to give the other options the fullest possible chance." Feldman warned that the danger would increase as Bush becomes a lame duck. "The paradox of this is that the closer you are to a position of being a lame-duck president, the more freedom of action you have," he said.

Feldman said the policy debate continues in the Bush Administration, with Vice President Dick Cheney taking the hard line against Iran, and Secretary of State Condoleezza Rice leaning toward engagement with Iran.

Coming out in support of a U.S. dialogue with Tehran, Feldman said the American war in Iraq had left Iran "the sole power in the Persian Gulf." Calling himself "a deterrence theorist," he said he was convinced that deterrence could work, because there is a clear address in Iran for dialogue, the regime is aware of the costs of war, and it is sensitive to outside forces. "This is not an isolated regime like North Korea, and like Saddam was," he said. "It's a regime that's got extremely good sensors, and in the past it has reacted to international pressures."

He also said he doesn't believe Israel and the U.S. are coordinating their policies on Iran, despite the fact that they discuss the question so often.

Iran Ready for Full Diplomatic Ties with Egypt

May 16 (EIRNS)—Iran is ready to restore full diplomatic relations with Egypt, President Mahmoud Ahmadinejad said yesterday. "We are ready to establish diplomatic ties with Egypt. If the Egyptian government signals its willingness, we will open our embassy that very same day," Ahmadinejad told reporters, according to the IRNA news agency. Iran and Egypt have only had interest sections in their respective countries since 1980, after Iran cut ties, following the Islamic Revolution, in protest at Cairo's recognition of Israel. Iran was also reacting to Egypt's having given asylum to the deposed Shah Mohammad Reza Pahlavi.

An Egyptian political figure, who has been involved in negotiating the reestablishment of ties, for years, emphasized to *EIR* the importance of such a step, which, in the current situation, would dampen attempts by the Cheneyacs to use Egypt against Iran. Egypt is the only Arab state that does not have ties with Iran.

Iraqis Want Timetable for U.S. Withdrawal, Too

May 12 (EIRNS)—The *New York Times* reports that 144 of the 275 members of the Iraqi Parliament have signed a petition for a timetable governing withdrawal of U.S. troops from Iraq. The withdrawal would be contingent on the readiness of Iraqi security forces to take over from U.S. troops so as not to create a security vacuum. A member of the Sadr bloc in the parliament told the *Times* that the document is being developed by the relevant committees into a draft bill.

Britain's Chatham House Revels in Bush Iraq Quagmire

May 18 (EIRNS)—In a briefing paper, "Accepting Realities in Iraq," the London-based Royal Institute for International Affairs (RIIA)—aka Chatham House—said that Iraq has fractured into regional power bases and there is no longer "a" civil war, but many civil wars and insurgencies which are involving a number of communities and organizations struggling for power.

The report pointed out the critical destabilizing issues will come to the fore in 2007-08. Federalism, the control of oil, and control of disputed territories, need to be resolved. While the Bush Administration is still clinging to the hope that the situation in Iraq can be turned around, Chatham House says that it is interesting to note the recent change in language regarding Iraq, particularly in the United States. This began in the second half of 2006, as observers, senior military figures, and politicians alike came to see the outlook as increasingly bleak. Previously confident "declarations of victory" began to be replaced with more cautious, even ominous, warnings of "hard times ahead" and an even more stark claim that "victory is still possible."

Asia News Digest

Political Situation Becoming Untenable for Musharraf

May 15 (EIRNS)—At least 25 people were killed today in the explosion at a hotel in the northwestern Pakistani city of Peshawar, close to the Afghan border. According to a report on the website of the Pakistani channel Geo TV, a suicide bomber blew himself up in the Marhaba Hotel in Peshawar's old city, and the blast managed to demolish the building. The bombing took place a day after all major cities were shut down by a strike call by President Pervez Musharraf's opponents, who now include the bureaucrats centered around the Justice Department; the leading political party, PPP; and the anti-U.S Islamic militants who are in league with al-Qaeda and the Afghan Taliban.

On May 14, militants carried out a strike on a meeting of Pakistani, Afghan, and NATO forces in Kurram agency in Pakistan's tribal areas adjacent to eastern Afghanistan. The officials were meeting at Teri Mangal to consider border fighting that erupted between the two neighbors on May 13, when Pakistani and Afghan troops exchanged fire. After concluding their discussions, NATO and Afghan forces returned to the Afghan side of the border and were attacked en route by militants loyal to al-Qaeda leader Abu Laith Al-Libby. One NATO soldier, an American, was killed in the shootout.

India, Brazil, South Africa to Join in Missile Development

May 15 (EIRNS)—According to military sources in New Delhi, India is getting ready to join in the air-to-air missile (AAM) development agreement between Brazil and South Africa. The issue of cooperation in research and development had been discussed during recent high-level Brazilian military delegation visits to India. When Brazilian President Lula visits India next month, more about it will be heard, the report said.

India also has an indigenous AAM program—Astra (Sanskrit for "weapon")—which is being developed by India's Defense Development and Research Organization (DRDO). DRDO might jointly develop AAMs with Brazil and South Africa. The new tri-national agreement is reported to involve DRDO and Bharat Dynamics Ltd (BDL), working in a risk-sharing R&D program dealing with two projects: a short-range imaging infrared (IIR) missile derived from the South African U-Darter, and the Long Range Air-to-Air Missile (LRAAM).

Japan Backs Russia/Kazakhstan Enrichment Facility

May 14 (EIRNS)—The chairman of the Japanese Atomic Energy Commission, Shunsuke Kondo, said today that Japan supports the idea of international uranium enrichment centers, which Russia and Kazakhstan have agreed to set up.

Russian President Vladimir Putin made the first Russian initiative to create International Uranium Enrichment Centers in Russia, under the supervision of the International Atomic Energy Agency (IAEA) in January 2006. The policy would be to allow any nation to participate, if it respects IAEA policy and uses the uranium purely for civilian energy generation. On

May 10, Putin and Kazak President Nursultan Nazarbayev oversaw the signing of an agreement between their two nations to set up such a center in Angarsk, East Siberia.

The policy is important for Japan, since it separates Russia's military and civilian nuclear facilities. Kondo said in Tokyo that "Russia's nuclear energy world in the past was one solid unit. There's been a great effort on the Russian side to divide these two functions." Japan has no atomic weapons and will only cooperate in civilian use of nuclear technology with other nations.

Japan is very interested in Russia's advanced fast-breeder reactor technology, since these produce plutonium which can be used for nuclear fuel. "We also want to diversify our supplier base," Kondo said. Japan already has 53 nuclear stations, and generates 30% of its electricity from this source, and wants to increase this to 40% by 2030.

Russia Using Nuclear Development as War Avoidance Strategy

May 15 (EIRNS)—Russia's Rosatom, its state-owned atomic energy agency, announced that it has signed an agreement with Myanmar, to build the first-ever nuclear research reactor there.

Myanmar is one of the poorest nations in Southeast Asia, with very little infrastructure of any kind. The Rosatom statement says that the "agreement provides for cooperation in the design and construction in Myanmar of a centre for nuclear research." The nuclear research center will include a 10-megawatt nuclear reactor with low-enriched uranium consisting of less than 20% uranium-isotope 235.

Late last year, Russian President Vladimir Putin launched an international plan to develop nuclear research and uranium enrichment centers under the control of the International Atomic Energy Agency (IAEA), to foster development of nuclear energy while avoiding conflict over potential nuclear weapons development. Myanmar is ruled by a military group, and has been subject to Western arms sanctions since 1988.

New East Asia-North America Infrastructure Link

May 15 (EIRNS)—A new infrastructure link is being created between East Asia and the interior of North America: Canadian National Railways announced yesterday that it has reached an agreement with COSCO, China's national flag shipping company, to ship goods from Asia to the new port of Prince Rupert, British Columbia. Prince Rupert, on the northwestern coast of BC, is near the border with Alaska.

The CN Rail press release said that COSCO Container Lines Americas, Inc., will start service in the fourth quarter 2007, the *Prince George Citizen* reported today. COSCO, founded in 1961, is China's leading shipping company, worth some \$17 billion, and specializing in container shipping and modern logistics. "CN is delighted to have COSCO as its first customer to call on the Prince Rupert container terminal, a new North American gateway for Asian trade," the press release quoted James M. Foote, CN's executive vice president of sales and marketing.

The new Prince Rupert container terminal and CN Rail "will inject meaningful port-rail-terminal capacity into the global supply chain, and will offer shippers the fastest, most efficient and most cost-effective routing for Asian traffic destined to and from the interior of North America." The Prince Rupert port is eventually planned to be able to handle 2 million TEUs (standard container units) a year.

Chinese Workers' Living Standards Unchanged in 50 Years

May 17 (EIRNS)—A Chinese scholar from a leading Beijing think tank has confirmed to *EIR* that, despite the popular opinion in the West that China's general population is rapidly getting richer, the standard of living of the industrial, blue-collar workforce, supposedly at the center of the booming Chinese economy, has not changed over the past 50 years. Combined with the continued extreme poverty of the agricultural workforce, there is a dangerous potential for economic and social instability across China in the case of a breakdown of the imports to the U.S., or a similar economic crisis.

The scholar also indicated that this problem is at the center of President Hu Jintao's intention to shift the underlying economic structure of China over the next year, from a primary focus on exports, to enhanced domestic consumption and a general welfare orientation, with a broad safety net.

Africa News Digest

China Drives Economic Growth in Africa

May 20 (EIRNS)—There is a resurgence of economic activity in Africa because of trade and development collaboration with China. According to the African Economic Outlook published by the OECD and the African Development Bank, growth will continue to increase throughout 2007 and 2008.

Beijing has already written off almost \$1.5 billion in debt to Africa, and says it will write off a similar amount again. Chinese Premier Wen Jiabao told a meeting of the African Development Bank in Shanghai May 16 that, "We are truly sincere in helping Africa speed up economic and social development for the benefit of the African people and its nations."

"Africa needs to rely on itself to sustain development, but international support and systems are also indispensable," he said, adding: "We call on the international community to deliver on aid pledges to Africa and reduce and cancel African debt." He also called for increased market access and technology transfers.

More than 700 Chinese companies are active in Africa now. China's trade with the continent has quadrupled in the past six years to \$55 billion.

The *Daily Telegraph's* Ambrose Evans-Pritchard on May 16, also took note of effects of China and other Asian countries on African economies: "In a sign that funds now view Africa as the next boom story, foreign direct investment (FDI) has tripled in five years to \$30.6bn, the fastest growth rate for any region in the world. Exports to China alone touched \$25bn in 2006, up 1,200% in a decade."

China Hits Criticism of Its Role in Africa Head-On

May 20 (EIRNS)—The issue of the conflict in Darfur, and China's collaboration with the Sudan government have been the subject of lot of teeth-gnashing in the Western media. But, according to a May 15 AP wire in *Forbes*, Li Ruogu, chairman of the state-owned China Exim Bank, which handles most of China's overseas aid loans, said robust economic growth through trade and investment would reduce such conflicts by raising incomes and improving quality of life.

"Chinese aid and investment will in the long run help in the resolution of the Darfur problem," Li said at the African Development Bank meeting. Accusations against China over Darfur were "totally groundless," he told reporters.

Li's China Exim Bank has approved more than \$6 billion in projects for Africa, while bilateral trade has grown by about 30% annually in recent years, hitting \$55.5 billion last year, according to the African Development Bank. Beijing says it

wants annual trade to reach \$100 billion by 2020.

China recently appointed a special representative for Africa to focus on Darfur. Foreign Ministry spokeswoman Jiang Yu said May 15 in Beijing that China has been "playing a constructive role" in settling the Darfur conflict. Chinese-funded dams and other projects are also said to be potentially threatening to Africa's environment and local populations, by forcing people to move. One such project is the Merowe Dam in Sudan.

Finding the criticism of China preposterous, a May 14 AFP wire from South Africa, carried in Sudan *Tribune* on May 16, points out that China is not the only investor in Africa that is motivated by self-interest. South African sources said human rights concerns about China's activity in Africa come mostly from economic rivals whose own democratic records leave much to be desired. "Investments from China suffer similar defects to investments from other countries," South African Institute for International Affairs trade research fellow Peter Draper told AFP. "It is not the only country interested in African resources." Africa's generally positive attitude towards China's rising profile was partly due to it being "thoroughly sick of the West and its lecturing on what to do to develop," Draper added.

Ismail Momoniat, head of economic policy and international financial relations at the South African Treasury, said he failed to understand much of the concern, adding: "China has never colonized an African country. Developed countries deal with oil producing countries all the time that are not necessarily democratic. Why is that not an issue?"

Algeria, U.S. To Sign Nuclear Accord

May 20 (EIRNS)—Algeria's Energy and Mines Minister Chakib Khelil announced, after talks with U.S. Energy Secretary Samuel Bodman in the United States, that Algeria and the United States will sign a nuclear agreement when a U.S. expert delegation comes to Algeria on June 9, according to press reports in Algeria May 9. A senior member of the U.S. Department of Energy is to be a member of the delegation. Khelil said that, "The two sides will work toward organizing exchanges of experience, knowledge, and experts, as well as carrying out joint programs," according to an AP release reporting the development today. The accord will cover cooperation in the area of civil nuclear energy, including joint programs.

Since achieving independence from France in 1962, Algeria has had a deep interest in developing a nuclear energy capability. It already has two small experimental reactors, one of 3 MW built by Argentina, and another of 15 MW, built by China. According to Algerian sources, the country wanted to build a nuclear power reactor in the 1980s, but an international propaganda campaign, similar to the current one against Iran, suppressed the realization of its plans. This new accord could pave the way for Algeria to acquire a nuclear power reactor.

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[top of page](#)

[home page](#)