

[return to home page](#)

The End of the Line for The Anglo-Dutch System

by John Hoefle

When President Richard Nixon took the dollar off the gold reserve standard on Aug. 15, 1971, he effectively ended the Bretton Woods system of fixed currency-exchange rates. Nixon's action, taken at the urging of bankers' boy George Shultz (then director of the Office of Management and Budget), set into motion the creation of the largest financial bubble in history, a bubble the collapse of which is now laying waste to the global banking system and securities markets. The mantra rising from financial circles after such disasters is that "no one" could have foreseen the "unexpected events" which developed from policies and decisions that "everybody" agreed to at the time. You hear it frequently today, from people ranging from former Federal Reserve chairman Sir Alan Greenspan, to bankers whose allegedly "fundamentally sound" banks vaporize seemingly overnight. Who knew this could happen?

One man did know, and said so at the time, loudly and forcefully.

That man is Lyndon LaRouche....

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Feature

- **The End of the Line for The Anglo-Dutch System**

Thirty-seven years ago, Lyndon LaRouche saw the present collapse of the financial system as inevitable, after George Shultz, on Aug. 15, 1971, set into motion the creation of the largest financial bubble in history, by persuading President Nixon to end the Bretton Woods system. The Anglo-Dutch system is now collapsing as a result of its own cannibalistic policies.

- **LaRouche: Bailout Illegal;**

Bankers Should Be Jailed

- **LaRouche's 1971 Forecast**

- **Doom Has Struck!**

Three Steps to Survival

On March 17, 2008, LaRouche issued this call for action, listing three essential measures which must be taken more or less immediately, before the situation in the U.S.A. and western Europe becomes hopeless.

- **LaRouche's Ninth Forecast:**

The Coming Disintegration of Financial Markets

In this article, which first appeared in EIR, June 24, 1994, LaRouche reviewed his first eight economic/ financial forecasts, and delivered a ninth. This is the record which all serious legislators must master in dealing with the current crisis.

- **The System Disintegrates:**

From 1994 to Today

The global breakdown crisis entered a new phase, less than a year after LaRouche issued his Ninth Forecast.

- **LaRouche's Proposals**

Economics

- **Bretton Woods Debate Spreads Beyond Italy**

The debate in Italy about the need for a New Bretton Woods to solve the financial collapse, is beginning to be picked up elsewhere in Europe. In numerous articles and interviews, former Italian finance minister **Giulio Tremonti** is saying that 'the time has come to substitute the present disorder with a new global order,' referring to the original Bretton Woods system. 'There is no local solution,' he states. 'This is a global question and there is only a global solution: a new Bretton Woods.'

- **Tremonti:**

- **Globalization Led to First World War**

Excerpts from an interview with La Repubblica.

- **'I Like LaRouche's HBPA':**

- **It Puts Citizens First**

An interview with **Alfonso Gianni**, Undersecretary for Economic Development in the outgoing Prodi government in Italy.

- **Gianni:**

- **Replace Maastricht with a New Bretton Woods**

Excerpts from his article in *Liberazione*.

- **Senator Lidia Menapace:**

- **World Faces Worst Crisis Since Weimar**

- **Senator Oskar Peterlini:**

- **A Global Financial Conference Is Urgent**

International

- **British Launch 'Great Eurasian War'**

Drive Do not look for local causes, or event-driven explanations for the outbreaks of chaos and violence throughout Eurasia and elsewhere. We are witnessing a top-down, London-orchestrated confrontation, aimed at igniting such chaos around the globe, to maintain oligarchical control as the world financial system blows out.

- **Taiwan Votes for China Against the British**

Interviews

- **Alfonso Gianni Alfonso**

Gianni is Undersecretary for Economic Development in the outgoing Prodi government in Italy, and was among the signers of the New Bretton Woods resolution in the Italian Chamber of Deputies in 2005.

Editorial

- **LaRouche Was Right!**

U.S. Economic/Financial News

- [Home Sales Down and Still Falling](#)
- [Even Volcker Not Pleased with Bear Bailout](#)
- [Hyperinflation Drives Commodity Consolidation](#)
- [Mass. Governor Calls for Casinos To Raise State Revenue](#)

Home Sales Down and Still Falling

March 18 (EIRNS)—U.S. housing starts (both single-family and apartment/condo) dropped in February, and building permits fell to 1.065 million, the lowest level in more than 16 years. Published reports, using figures from the Commerce Department, noted that this figure was down 0.6% from January. These figures, however, don't tell the real story, because the January figures are already depressed. If one compares the housing starts to figures from one or two years ago, housing starts are down 28% from February 2007, and are *half* of the February 2006 figures. (Housing starts began dropping in July 2007, with the onset of the global financial collapse.) This year's figure of 0.6% drop was tempered by an increase of 14% in multi-family homes—single-family homes actually declined by 6.7%, even when compared to last month. February's 707,000 pace was the weakest since January 1991.

An even better indicator of the collapse is the fact that new homes are selling at a pace far below the pace of construction. In January (the most recent figures available), new homes were selling at less than 600,000 per month, 40% below the construction pace.

Even Volcker Not Pleased with Bear Bailout

March 20 (EIRNS)—Even former Federal Reserve chairman Paul Volcker is not pleased with the bailout of Bear Stearns. Volcker is quoted by an *Los Angeles Times* blogger today as saying that the Federal Reserve bailout of bankrupt investment bank is a "new departure," and he questions the Fed's action. Among the questions posed in the blog are: Why is the Fed rescuing a non-bank that it does not regulate? Isn't that a job for Congress? Why is the Fed guaranteeing bad loans?

On March 18, Volcker raising questions about the Bear Stearns bailout, in an interview on the "Charlie Rose" TV program, that nobody else except Lyndon LaRouche has raised. Earlier that day, LaRouche had issued a statement condemning the Fed bailout as illegal.

What Volcker said on the Rose show is the following:

"The Federal Reserve has not, in the past, been conceived as a place where you put in bad assets, possibly bad assets. Lending institutions take risks. I'm not suggesting the assets are terrible, but they have collateral.

"But that is a new departure. And at some point, the government ought to, in my view, the government ought to be taking responsibility for that kind of action, not the Federal Reserve, which is an independent agency designed to provide an ample supply of liquidity to the economy but not too much, protect against inflation, not to protect particular sectors of the

economy from bad loans."

Rose: "So the Federal Reserve should not be doing that, in your judgment. It's not because it shouldn't be done, it's the role of the Federal government."

Volcker: "Absolutely. In this situation, they stepped in and nobody else was there to do it. They stepped into a vacuum, and I think quite appropriately, it's a judgment they had to make. But is this what you want for the longstanding regulatory support system? My answer is no."

Hyperinflation Drives Commodity Consolidation

March 17 (EIRNS)—As global hyperinflation is no longer a deniable reality, now comes news of a major consolidation in commodities markets. Although the mergers and acquisition market is virtually frozen worldwide, the Chicago Mercantile Exchange today announced a takeover of the New York Mercantile Exchange (NYMEX), seemingly having no trouble coming up with the \$9.5 billion purchase price. This deal was definitely not a "hostile" takeover, with the CME Group bidding just \$1 over the March 14 stock price. The stock value of both companies actually fell (along with the market in general) on the news.

The NYMEX had specialized in metals trading, especially gold, and energy trading, while CME has the majority of agricultural and financial commodities. Now all of this will be under one roof. It was less than a year ago that the Chicago Mercantile Exchange bought the Chicago Board of Trade (creating the CME Group)—a major consolidation. As one analyst told the *New York Post*, today's deal gives CME "a huge presence in the lucrative realm of trading energy and metals, adding to its dominance in financial and agricultural futures."

Further restricting accessibility, CME is said to be considering raising the price of its memberships by \$100 million, as well as a stock buyback.

Mass. Governor Calls for Casinos To Raise State Revenue

March 16 (EIRNS)—Massachusetts governor and Obama campaign co-chairman Deval Patrick is pushing a plan in the state legislature that would allow three casinos to be opened in the state. The town of Palmer is one of the proposed sites, according to the *Washington Post*; it is a former mill town that is shutting down as a result of the economic depression. Patrick argues that his "casino plan would create 30,000 construction jobs and 20,000 permanent jobs, as well as generate an anticipated \$400 million a year in revenue in a state grappling with a budget shortfall," says the *Post*.

Global Economic News

London Investment Bankers Confess Failure

Beijing 'Deeply Worried' About World Economic Crisis

Financial Oligarchs Push 'Swedish Model' of Bank Bailouts

London Investment Bankers Confess Failure

March 16 (EIRNS)—The investment bankers of the City of London are demanding a rescue from the Bank of England and the British government, in what is effectively an admission that their scheme to ride out the current crisis has failed. "The message from the City to the Bank of England and the Chancellor is that this is not enough. This crisis is now on a different level and there needs to be an appropriate response," the London *Telegraph* today quoted a senior City executive as saying.

Beijing 'Deeply Worried' About World Economic Crisis

March 18 (EIRNS)—Chinese Premier Wen Jiabao said today that he is "deeply worried" about the world economy, vowing to take flexible and prompt measures as changes develop. "I, myself, watch very closely the development in the world economy and the U.S. economy, and I'm deeply worried," Wen told a press conference at the conclusion of the first session of the National People's Congress in Beijing, according to Xinhua news service. "China's economy is already tied to the globalized economy. All kinds of changes and fluctuations in the international economy will inevitably be reflected on China's own economy," he noted.

The Chinese government signalled last November its recognition that the disintegration of the international financial system is a threat to China which must be faced. On Nov. 24, 2007, the official Chinese government press—Xinhua, *People's Daily*, and *China Daily*—published a Xinhua wire reporting that "renowned U.S. economist" and "famous political activist" Lyndon LaRouche had called for the United States and China to "join hands to reform world financial system."

Wen expressed particular concern over the depreciation of the U.S. dollar: "What concerns me now, is that the U.S. dollar is depreciating continuously, when the U.S. dollar will reach the bottom in this depreciation process, what kind of monetary policy the U.S. government will adopt and where the U.S. economy is heading."

In an ironic juxtaposition to the U.S. Fed's inflationary interest rate cuts, the Bank of China today raised the level of required bank reserves against deposits from 15 to 15.5%. This action confirms Wen's assertion that China will vigorously fight inflationary pressures.

Financial Oligarchs Push 'Swedish Model' of Bank Bailouts

March 19 (EIRNS)—Trans-Atlantic financial circles are promoting a poisonous, hyperinflationary reaction to the financial crash which they hope to make more palatable by putting the label "made in Sweden" on it. London's *Financial Times* is chief among those promoting scams similar to what was done in Sweden, in 1992.

At that time, the Swedish banking system collapsed after many years of real estate bubble-building and related financial scams. Under pressure from the financial oligarchy, the government assumed the banks' losses, thus bailing out the banks. The latter walked away scot-free, with their balance sheets in the black.

But the nation lost 80,000 productive companies and 300,000 of 1 million industrial employees lost their jobs, in a nation of only 8 million inhabitants. Sweden lost a remarkable 5% of its GDP at that time, a disaster from which it has yet to recover. The financial oligarchy placed a huge burden on society, in the form of a state-owned company called Securum, which assumed all non-performing loans and real estate credits, removing them from the balance sheets of the banks.

In its March 17 editorial, London's *Financial Times* wrote that "Central Banks and governments" can prevent financial problems, if they are willing to pay the price, by taking some or all of the problem assets onto the public balance sheet. That could be done through outright purchases of asset-backed bonds, cheap loans to the banking system, or government

equity injections into banks. The US Federal Reserve has already begun to do this with its special lending facilities and rescue of Bear Stearns."

United States News Digest

Bloomberg Pressures Politicians for His Toll-Tax Scheme

10,000 Rally in NYC Against Bloomberg's School Cuts

Ouster of Ballistic Missile Defense Head a 'Positive Tilt'

Hillary Clinton: Michigan, Florida Votes Should Be Counted

Florida GOP Forced Primary Date Over Democratic Protests

Same Dick Cheney, Same Old Lies, To Trigger Iran War

Marines Losing Capability for Conventional Warfare

Bloomberg Pressures Politicians for His Toll-Tax Scheme

March 21 (EIRNS)—The first signs of New York City Mayor Michael Bloomberg's use of high-pressure tactics to bring politicians in line behind his traffic congestion taxing scheme appeared today, when newly inducted Gov. David Patterson endorsed Bloomberg's plan. Patterson, who up until his March 19 appearance with Bloomberg in the city had not endorsed the scheme, stated that one of the reasons he decided to endorse it, is the "need to raise significant revenue for mass transit improvements," which was the hook Bloomberg used to win support.

During four high-profile events with U.S. Transportation Secretary Mary Peters on March 19, Bloomberg threatened his opponents that if they didn't pass his plan by March 31, the city would lose a \$354 million Federal transportation project grant—money Peters made contingent on adopting the congestion scheme, which would charge motorists \$8 to drive into Manhattan below 86th Street on weekdays between 6 a.m. and 6 p.m. Bloomberg lied, "Refusing those funds is basically saying that there will be next to no MTA [Metropolitan Transit Authority] capital projects ... in our future... There's no money short of this."

On Bloomberg's watch as mayor, the MTA has opened a \$9 billion funding gap in its capital plan, while industry has been further driven out of the city, leaving it dependent Wall Street's revenues. Bloomberg is presiding over a \$3-billion-plus budget deficit for the budget which begins July 1, and projected deficits for the next three years in the tens of billions. The U.S. Department of Transportation's \$354 million can't fill the holes he's created.

10,000 Rally in NYC Against Bloomberg's School Cuts

March 20 (EIRNS)—Ten thousand teachers, students, and parents rallied in pouring rain in front of New York City Hall for two hours yesterday, to protest against Mayor Michael Bloomberg's cuts in the education budget, as well as cuts from the state level. A LaRouche PAC squad of six, behind a sign that said, "The Crash is on! We need LaRouche's New Bretton Woods," distributed two leaflets by Lyndon LaRouche, "Doom Has Struck: Three Steps to Survival," and "Bloomberg Isn't

Running, Only Dripping Copiously." An LPAC organizer described the situation as "a real shift ... with the crowd honed in on the financial crisis." The teachers, who loathe Bloomberg, insisted, "He's not going anywhere; he's hated."

After promising more money, in January, Bloomberg and then-Gov. Eliot Spitzer did an about-face, and announced that the dramatic downturn in the economy was forcing them to reduce the amount of money for schools. They demanded that every school cut 1.75% from its current budget immediately. The Bloomberg press machine had organized a briefing with reporters the day before, emphasizing that the mayor had increased education spending since 2002.

Ouster of Ballistic Missile Defense Head a 'Positive Tilt'

March 20 (EIRNS)—The head of the Ballistic Missile Defense Agency (BMDA), Gen. Henry Obering, was dismissed on March 18, and replaced by his deputy, Gen. Patrick O'Reilly, in a move that is widely viewed in Pentagon circles as a "tilt" in favor of those who wish to pursue the Kennebunkport proposal by Russian President Vladimir Putin. General Obering has been a leading skeptic of collaboration with the Russians, and made a series of provocative statements about BMD plans, which were subsequently countered by State Department and other U.S. officials. Most recently, Obering claimed that the U.S. was in talks with Turkey about installing radar in that country, a clear rebuff of the Russian proposal to use existing Soviet-era radar installations in Azerbaijan.

O'Reilly has been the "hands on" person with the Russians, visiting the Russian radar installation in Azerbaijan, and working with Russian military counterparts. Lyndon LaRouche concurred with the assessment from U.S. intelligence officials that the shift reflected the ongoing factional battles between "war party" and more sane elements within the Bush cabinet, and represented a positive tilt, particularly in the context of the early retirement of Central Command head Adm. William "Fox" Fallon, who favors negotiations with Iran, and Vice President Cheney's ongoing provocative trip to Southwest and South Asia.

Hillary Clinton: Michigan, Florida Votes Should Be Counted

March 19 (EIRNS)—Speaking in Detroit this morning, Sen. Hillary Clinton called for either counting the votes already cast in the Michigan and Florida primaries, or for holding "new, full and fair elections," and demanded that Barack Obama support this. Yesterday, Clinton campaign representatives accused Obama's campaign of dragging their feet by refusing to support a rerun of the Michigan and Florida primaries; they characterized this as an effort by the Obama campaign "to disenfranchise the voters of Michigan and Florida." And they warned that if this happens, it will give the Republicans a huge opening in those states in the November general elections.

Both primaries were held earlier than permitted under rules set by the Democratic National Committee, which then disregarded the results. In Florida, with all candidates on the ballot and a large turnout, Clinton won 49.8% to Obama's 32.9. In Michigan, where Obama was not on the ballot (his supporters were advised to vote "uncommitted"), Clinton won 55.2%, and "uncommitted" 40.1%.

EIR notes that any failure to resolve the Florida and Michigan situation also provides an opening for Nancy Pelosi and Al Gore to "broker" the Democratic convention, as they have threatened to do, in such a manner as to ensure that Clinton does not get the nomination.

Florida GOP Forced Primary Date Over Democratic Protests

March 18 (EIRNS)—A spokesman for the Florida Democratic Party today confirmed to LaRouche PAC that the date for the Florida primary was set by the Republican governor and the Republican majority in the State House. Democrats

introduced an amendment to the bill, setting the election timetable, and tried to move back the date, to conform with the Democratic National Committee policy, but the GOP majority prevailed.

Same Dick Cheney, Same Old Lies, To Trigger Iran War

March 19 (EIRNS)—U.S. Vice President Dick Cheney, during his visit to Oman today, repeated the litany of lies that he had used in his March 2002 trip through the region, to rev up war against Iraq. Instead of Iraq, he targetted Iran this time, to say Iran "may have restarted" a nuclear weaponization program. In August 2002, it was, "We know that Saddam Hussein has reconstituted his nuclear weapons program."

Cheney told the Associated Press in Muscat, Oman, "what it [the National Intelligence Estimate] says is that they have definitely had in the past a program to develop a nuclear warhead, that it would appear that they stopped that weaponization process in 2003. We don't know whether or not they have restarted. What we do know is that they had then, and have now, a process by which they're trying to enrich uranium. They're working at it for years."

Lyndon LaRouche has repeatedly called for impeachment of Dick Cheney—something House Speaker Nancy Pelosi (D-Calif.) has blocked for two years—as the best way to prevent an attack on Iran.

Marines Losing Capability for Conventional Warfare

March 18 (EIRNS)—The capability of the U.S. Marine Corps to conduct "full spectrum operations," that is, the full range of operations up to and including major combat operations, "has been bled" by the focus on counterinsurgency and stability operations in Iraq and Afghanistan, reported Gen. Robert Magnus, the assistant commandant of the Marine Corps, during a panel discussion today at this year's Navy League conference in Washington, D.C. When asked to elaborate on exactly what capabilities the Marines were losing, Magnus reported that there are junior officers who have never participated in amphibious operations, and tank crews that have not engaged in gunnery practice for years. These skills get to the core competency of the Marine Corps, but Marines are not home between deployments long enough to train for them, which could be a serious problem if the next war calls for different capabilities than the current ones.

Ibero-American News Digest

Brazil Stalls British War Plans in South America

López Obrador Praises FDR and His Good Neighbor Policy

Argentina: Biggest Farm Protests in 30 Years

Food Price Inflation and Scarcity Plague Ibero-America

Brazil Stalls British War Plans in South America

March 18 (EIR)—Under the leadership of Brazil, British efforts to codify the imperial doctrine of preventive war as the law of the Americas, were delivered a sharp setback at the March 17-18 Consultation of the Organization of American States (OAS) Foreign Ministers, which took up the conflict between Colombia and Ecuador.

Ibero-American Presidents, meeting in Santo Domingo, Dominican Republic on March 7, had cooled out the hysteria and plunge towards war which followed Colombia's March 1 military raid against an encampment of the narcoterrorist FARC inside Ecuador. The extraordinary March 17 OAS meeting was to discuss how the region could address the broader issues underlying the immediate crisis, so as to not repeat it.

British toadies in the Bush government, however, attempted to use the meeting to codify the British empire's doctrine of limited sovereignty as OAS policy. According to Brazilian media leaks, not denied, when U.S. Secretary of State Condoleezza Rice met with Brazilian President Lula da Silva on March 13, she sounded him out on the idea that borders should be "flexibilized"—that is, that another nation's territorial sovereignty should not be respected—in the war against the FARC.

Deputy Secretary of State John Negroponte's insistence that a variation on this argument be adopted as policy at the March 17 meeting, turned what was to have been a eight-hour meeting into a marathon into the early hours of the next morning.

It was Brazilian Foreign Minister Celso Amorim's intervention which prevented the meeting from ending in an impasse. "There is nothing complicated here. The inviolability of borders is a basic principle of the United Nations. It is a basic right, and one of the duties of a State," he stated. As for fighting terrorism, "we all have to cooperate to combat terrorism—and not just terrorism, but all illicit actions." But, we can't turn the fight against terrorism "into a holy war that justifies liquidating all principles of international law."

This is not a big deal, the Brazilian leader said. The OAS doesn't have to come up with some innovation here; the basic principles already exist. It just has to "adopt practical measures that help to build confidence to prevent these incidents from happening again. The details aren't that interesting. What's important is that these things don't happen again."

The final resolution, was adopted by all member-states without reservations, including both Colombia and Ecuador, except the United States, which supported it only "with reservations." The resolution expresses members' "rejection" of Colombia's military incursion into Ecuador, as a violation of Ecuador's territorial sovereignty, and calls on the secretary general of the OAS to establish necessary mechanisms to ensure implementation of the resolution and that steps be taken to build confidence between the two nations. It also reiterates members' commitment to fighting "security threats from actions of irregular groups and criminal organizations, particularly those linked to drug-trafficking activities."

López Obrador Praises FDR and His Good Neighbor Policy

March 19 (EIR)—Mexican opposition leader Andrés Manuel López Obrador has again paid due respect to the central role played by U.S. President Franklin Delano Roosevelt in protecting Mexico's sovereignty, when it nationalized its oil industry 70 years ago, on March 18, 1938. López Obrador was speaking to thousands gathered in Mexico City's central plaza to celebrate that anniversary, by mobilizing to prevent the Calderón government's intended privatization of the oil industry.

López Obrador recognized FDR's role front and center in his speech. Mexico was finally able to make effective the 1917 Constitution's assertion of state control over natural resources, because of three ideal conditions, he said: 1) We had a patriotic and popular President, Gen. Lázaro Cárdenas; 2) Franklin Delano Roosevelt, "one of the greatest politicians in the world, in the 20th Century," was President of the United States; and 3) just a few days before the nationalization, on March 12, 1938, Hitler invaded Austria, and the U.S. government recognized that it was preferable to have an anti-fascist government on its southern border, rather using force against our country.

Under his Good Neighbor policy, FDR recognized the sovereignty of Cuba and Panama, and ordered U.S. troops out of Nicaragua and Haiti. "The best example of the authenticity of his good neighbor policy was the respect for the sovereignty

of our country," López Obrador elaborated.

This was General Cárdenas's view, López Obrador said, as seen in a letter he wrote in the days after the nationalization:

"My government believes that the attitude assumed by the United States of America, in the case of the expropriation of the oil companies, reaffirms once again, the sovereignty of the peoples of this continent, which has been upheld with such tenacity by the statesman of the most powerful country of the Americas, the most excellent President Roosevelt."

That lesson in history is key, but López Obrador made no mention whatsoever of the great world crisis currently determining Mexico's situation today. And while he called upon Mexicans to mobilize to defend their nation's obligation to use the oil to develop the country, he reduced the great question of "What is to be done?" to ending corruption.

Argentina: Biggest Farm Protests in 30 Years

March 21 (EIR)—In response to the biggest agricultural protest in 30 years, a lockout of the markets launched a week ago by the nation's major agricultural producers, to protest increased taxes on exports of soybeans and sunflower seeds, Argentine Finance Minister Martin Lousteau asserted the nation's duty to the "general welfare." Shortages of beef and milk loom, as producers are refusing to market their cattle or produce, while blocking many of the nation's highways with protest actions.

According to sources in Buenos Aires, it is the landed oligarchy, represented by the Rural Society and local affiliates of Cargill, Dreyfuss, Monsanto, et al., that are behind the strike, although they have pulled some smaller farmer groups into it. The oligarchs are denouncing state intervention into their affairs, which not only limits their profits, but threatens the unrelenting expansion of soy monoculture.

The broader political aim of the strike action is the government of President Cristina Fernández de Kirchner, attempting to portray her as a weak leader whose policies are in disarray. The country's largest labor federation, the CGT, characterized the strike as a "*golpista*" (coup) move by the landed oligarchy, which sits pretty, while small farmers suffer.

The export taxes were raised from 35% to 45% two weeks ago, as a means of preventing high international commodity prices from being passed on to the domestic market, and will operate on a sliding scale. Appearing March 19 on the "Dos Voces" (Two Voices) TV program, Lousteau accused the producers of having contempt for the rest of the population, particularly the urban poor, "engaging in a form of 'bosses' protest, which will jeopardize food supplies" during Holy Week.

Without export taxes, Lousteau argued, local inflation would be far higher. But if it were up to the soybean producers, "there would be no taxes at all, and if the soy price were to go to \$10,000 a ton, they'd keep the profits and only produce soybeans." The Argentine government doesn't share this selfish view, he said; like it or not, "the State's duty is to be the arbiter of the general welfare."

Food Price Inflation and Scarcity Plague Ibero-America

March 15 (EIRNS)—From Mexico to Argentina, food price inflation, combined with the effects of natural disasters, are placing food staples out of reach of large sectors of the population.

The severe drought afflicting Chile is wreaking havoc with agricultural production, forcing prices higher and creating scarcity. Luis Schmidt, head of the National Agricultural Society (SNA), reports that southern Chile "is entirely dry," and

that beef, potato, and vegetable production has declined significantly as a result. Coastal wheat production has been "disastrous," he adds. Beef and milk are expected to be scarce in the winter months of June, July, and August. Chilean exporters are also frantic over the collapse of the dollar internationally, which has negatively affected the exchange rate, and thus their ability to export.

The situation in Bolivia borders on catastrophe. Devastating floods have wiped out crops, driving prices up and causing scarcity in several cities. Responding to growing popular unrest, President Evo Morales announced measures on Feb. 27 to punish speculators and contain prices in order to ensure adequate food supplies. He has also placed the Armed Forces in charge of combatting the smuggling of food contraband across borders, as well as lifted tariffs on imports of such staples as corn, rice, wheat, sugar, and vegetable oil. Despite these measures, food prices continue to rise. In four major cities, the consumer price index for February was 2.62% higher than January's, due largely to increased prices of tomatoes, poultry, beef, cheese, and some vegetables. The capital of La Paz saw a 4.6% increase in the prices of food and beverages in February.

Western European News Digest

EU Utopians Seek Privatized Army—It Goes With Feudalism

EU-NATO War School: First Step in NATO-EU Merger?

Brits Announce New Imperial 'National Security Strategy'

British-Backed Fascists on the Rise in Italy

EU Utopians Seek Privatized Army—It Goes With Feudalism

March 17 (EIRNS)—European Union defense and foreign policy czar Javier Solana, the former Secretary General of NATO, is rushing forward with privatized air logistics for EU military forces. The EU's would-be Pentagon, the European Defense Agency (EDA), sponsored a conference on "Commercializing Logistics," at the end of February, with assistance from Dick Cheney's old company KBR (formerly Halliburton-KBR). Solana argued that third-party commercializers could overcome the lack of individual EU country commitments, i.e., privatization, as a flank against national priorities.

KBR defense services head Herbert Abela boasted of KBR's contract with the British Ministry of Defense, which gives KBR a big role in air and other logistics for the U.K.'s armed forces. With the U.K. COMLOG contract, normal general staff functions for logistics have been turned over to a private company, furthering Felix Rohatyn's plan of turning warfare over to private financial conglomerates. One unnamed U.K. defense ministry attendee said the problem is "national sovereignty" and one needs to use the logistics issue to force through a "European" solution. The EDA's written account of the conference though, did make clear that there was resistance to Solana's plan.

EU-NATO War School: First Step in NATO-EU Merger?

PARIS, March 17 (EIRNS)—A March 2008 discussion paper of the Brussels-based Security and Defense Agenda (SDA) called "Revisiting NATO-ESDP [European Security and Defense Policy] Relations" confirms the current imperial drive to weld together the EU and NATO at the April 2-4 Bucharest, Romania NATO summit. SDA's directors are NATO secretary general Jaap de Hoop Scheffer and EU high representative for common foreign and security policy (CFSP) Javier Solana, and "liberal empire" ideologue Richard Cooper sits on the SDA advisory board. One of the contributions to the document

is bluntly titled "A Checklist for Enhanced EU-NATO Cooperation," written by Daniel Korski, a senior policy fellow of the George Soros-financed European Council on Foreign Relations (ECRF), directed by Tony Blair's "European Century" wonderboy Mark Leonard.

Korski says "NATO's 60th anniversary in 2009 will be an opportunity to revitalize Europe's premier security organization, and following this year's U.S. Presidential election, rebuild a consensus on Euro-Atlantic security, including an agreement on the role for the EU. This year is a good time for both organizations to begin preparing for 2009 by addressing some key problems. EU leaders' agreement on the Lisbon Treaty means they can now move away from intra-institutional arrangements and focus on Europe's role in the world."

France's reintegration into NATO's command structures is seen as key.

Brits Announce New Imperial 'National Security Strategy'

March 20 (EIRNS)—The British government yesterday issued a "national security strategy" paper, calling for a "civilian intervention force" for Great Britain, to be used also during crises in developing countries, or for "reconstruction" after wars. This force is also to be deployed into Afghanistan. The foreign office, according to this plan, will be restructured, reallocating resources formerly destined for Europe, to regions in Africa and Asia. All expenditures for national security, not allocated to the police or security services, will be put into a separate account; the budget will be increased, with 4,000 additional secret service personnel, with overall spending to increase in this sector by one-third.

The report focuses on threats from terrorism, global conflicts, and climate change, proposes "countermeasures," and wants to "sharpen public attention against these threats." Once a year, a "National Security Register" will be published, which lists all the threats. All of this is in sync with the reshaping of NATO, and the NATO-ization of the EU, and comes in the context of the financier oligarchy's determination to protect its failing British empire.

In announcing the report in the House of Commons yesterday, Prime Minister Gordon Brown referenced "current British efforts, to agree to international measures for protection against the current credit crisis," especially with Germany, France, and Italy, as an example of its "multilateral" foreign policy course.

British-Backed Fascists on the Rise in Italy

March 14 (EIRNS)—The British have made sure that almost all Italian parties slated to make it into the Parliament in the April 13-14 general elections, have figures associated with left-wing or right-wing fascism.

Former prime minister Silvio Berlusconi's PdL party is running Alessandra Mussolini, granddaughter of *Il Duce*. Ms. Mussolini will leave her post in the European Parliament to Roberto Fiore, head of the neo-fascist Forza Nuova and a protégé of British intelligence.

Another avowed fascist, mineral water producer Giuseppe Ciarrapico, is on the list of the PdL. Ciarrapico published *Il Duce's Opera Omnia* (collected speeches and articles). His candidacy has been promoted by Gianni Letta, former Berlusconi chief of cabinet and now with Goldman Sachs.

Alessandra Borghese, leader of the Italian black nobility, is going to run for the Christian Democratic Union (UDC) in Rome. UDC leader Pierferdinando Casini, at a meeting of the European Popular Party on March 12, said that, contrary to Giulio Tremonti's protectionist recipes, Europe needs more open and freer markets. (See InDepth for "Bretton Woods Debate Spreads Beyond Italy.")

Russia and the CIS News Digest

Russian Finance Academy Issues Crisis Warning

Russian Expert Links Tibet Events to Financial Crisis

Putin and Medvedev Receive Gates-Rice Delegation

Russia Prepares Afghanistan Initiative for NATO Summit

Russian Foreign Ministry Sees Britain on Cold War Path

BP Officials Arrested in Moscow

Russian Finance Academy Issues Crisis Warning

March 20 (EIRNS)—The Finance Academy of the Russian government yesterday issued a report titled, "Risks of a Financial Crisis in Russia: Factors, Scenarios, and Policies to Counteract Them." Unlike recent claims by Finance Minister Alexei Kudrin and others that Russia would remain an island of calm in the storm, the Finance Academy's lead author, director of the Financial Markets Institute Yakov Mirkin, said that Russia is immediately threatened by "financial infection" from abroad. The reason is the high level (70%) of non-resident participants in Russia's debt markets, and the influx of speculative capital during 2006-07.

Foreign borrowings by Russian banks and companies now stand at a level equivalent to 80% of the credit issued within the country. According to a report on the RBC news wire, Mirkin's team concludes that "the risk of a speculative attack is also increasing, because Russia's developing financial market is depending on foreign portfolio investments and financing from non-residents."

In a separate statement, also on March 19, Accounting Chamber chairman Sergei Stepashin warned about the \$430 billion debt of Russian banks and corporations to foreign lenders. Speaking before a plenary session of the State Duma, Stepashin called on Kudrin to invest resources from the National Prosperity Fund, Russia's sovereign wealth fund, directly into the Russian economy, as an alternative to allowing the foreign borrowing to race ahead.

Another high-level session on the world economic crisis was held March 18, as the first meeting of the Institute for Contemporary Development, a new think tank set up by President-elect Dmitri Medvedev. On March 17, President Vladimir Putin discussed the crisis with the government, directing the cabinet to monitor and seek remedies for the too-rapid appreciation of the ruble.

Russian Expert Links Tibet Events to Financial Crisis

March 20 (EIRNS)—Igor Panarin, a professor at the Russian Foreign Ministry's Diplomatic Academy, told the popular daily *Argumenty i fakty* of March 18 that the current unrest in Tibet is part of a larger effort by foreign interests to destabilize various countries. He situated these events within the current world financial crisis.

"We have to pay attention to the simultaneous actions in a number of countries," said Panarin. "Essentially, it is an integrated ideological-informational operation, which I would link directly with the financial crisis that is now developing in the world." He suggested that outside forces might hope that a destabilization of China would reduce capital flight from the United States to China.

Panarin wrote, "Among the rebels there is certainly a group of individuals, acting according to the scenario of the so-called 'Orange Revolution,' the scenario of the conflicts that took place in Kiev [Ukraine, 2004] and Tbilisi [Georgia, 2003]. Evidently the same people developed these scenarios, with each 'plan' being written to order for the specific local situation."

Putin and Medvedev Receive Gates-Rice Delegation

March 17 (EIRNS)—The U.S. Secretaries of Defense and State, Robert Gates and Condoleezza Rice, in Moscow for "2+2" talks tomorrow with their Russian counterparts, met today with President Vladimir Putin and President-elect Dmitri Medvedev. Both made a point of expressing some optimism, while other officials continued to emphasize the Russian leadership's dissatisfaction over the Bush Administration's failure, to date, to give an adequate response to the strategic cooperation proposals Putin presented last Summer at his Kennebunkport meeting with President George W. Bush.

In comments before the talks, Putin mentioned his most recent phone call with Bush, and the receipt of a letter from him—"a serious document, which we have carefully analyzed." Said Putin, "If we really manage to agree on [the letter's] main provisions, we shall be able to say that our dialogue is progressing successfully." But, Putin added, "There are still plenty of problems that need to be discussed."

Front and center among the latter are U.S. plans to deploy ballistic missile defense systems (BMD) in the Czech Republic and Poland, which Russia has called a threat to its strategic nuclear deterrent. Russian media followed the *New York Times* in reporting remarks by Gates, to the effect that the United States would offer to keep the BMD facilities non-operational, until there were "proof" of an Iranian capability to hit European targets with missiles. Gates called this part of "a very forward-leaning set of proposals" that he and Rice were bringing to Moscow, but he added a barb: "At some point the Russians are going to have to decide whether they want to be true partners, which we are offering, or whether this is just all a sham game on their part to stall the whole deal."

The daily *Vedomosti* reported comments by a Russian foreign ministry official, who said that Moscow still awaits written confirmation of offers made orally by Gates and Rice in Moscow last October. These included stationing of Russian personnel at the East European facilities, and construction of the radars in the Czech Republic in such a way, that they could not face Russia. In a March 7 interview, just after a trip to Washington during which he met with Gates, former Prime Minister Yevgeni Primakov said that National Security Advisor Stephen Hadley had told him Gates's October 2007 offer had been "misunderstood," and that it had referred only to occasional visits by Russian officers, not their permanent stationing as part of a joint staff.

After the 2+2 talks, both sides indicated no resolution of the critical issues, but a willingness to keep talking, based on the latest proposals, which Russian Foreign Minister Sergei Lavrov termed "interesting."

Russia Prepares Afghanistan Initiative for NATO Summit

March 20 (EIRNS)—Russian officials have said they will present an Afghanistan-related initiative at the NATO summit in Bucharest April 2-4, when President Vladimir Putin leads the first-ever Russian delegation to such a summit. Dmitri Rogozin, Russia's ambassador to NATO, said in a March 11 Interfax interview, that Russia "will back non-military NATO programs in Afghanistan concerning humanitarian goods, direct assistance to Afghanistan and the restoration of its

infrastructure," adding that, "We are interested that problems with Talibs be resolved at a distance from Russian borders."

On March 15, NATO spokesman James Appathurai announced that NATO has been negotiating land- and air-transit agreements with Russia for the resupply of NATO forces in Afghanistan, and that the agreements might be signed in Bucharest. The same day, RFE/RL Newsline reports, the Polish newspaper *Gazeta Wyborcza* commented that the Russian offer might be part of "a broader deal, under which NATO would not admit Ukraine and Georgia to a Membership Action Plan (MAP)." Germany, among other NATO members, has cautioned against rushing to accept MAPs for Ukraine, though Ukrainian officials have said they intend to plead their case for an MAP, when President George Bush makes a state visit to Kiev on the eve of the summit.

In the *Asia Times* of March 14, retired Indian diplomat M.K. Bhadrakumar analyzed the Russian offer on Afghanistan as "throwing a wrench in NATO's works"—and not only due to the possible *quid pro quo* of delaying the Ukrainian and Georgian MAPs. Citing Foreign Minister Lavrov's recent remark that Russian provision of transit routes to Afghanistan would be linked with "an agreement on all aspects of the Afghan problem, between NATO and the Collective Security Treaty Organization (CSTO)," Bhadrakumar wrote that Russia could try to force NATO operations in Central Asia to come under the aegis of the CSTO—Russia, Belarus, Armenia, Kazakstan, Kyrgyzstan, Tajikistan, Uzbekistan—and even the Shanghai Cooperation Organization (SCO), which includes China. At the United Nations on March 12, Russian Ambassador Vitali Churkin said that the CSTO and SCO provide the best capabilities for combatting drug-trafficking operations run out of Afghanistan.

Russian Foreign Ministry Sees Britain on Cold War Path

March 19 (EIRNS)—Britain should rethink its "Cold War" stereotype of Russia if it wants to normalize bilateral relations, the Russian Foreign Ministry said on March 18. The strain in British-Russian relations has been visible in the diplomatic fallout following the murder of Russian security service defector Alexander Litvinenko in November 2006 in London, and more recently by the closure of British Council offices in Russia. "There has been no decisive moving away from the stereotypes of the Cold War era in the political policies of the British elite," the statement said, adding that "if this problem is not resolved, it will be hard to count on the normalization of Russian-British relations."

Russian President Vladimir Putin and British Prime Minister Gordon Brown have not had a single conversation since Putin called to congratulate Brown on taking office on June 27 last year. "British authorities have become more critical in their comments on Russia," the ministry said. "The main emphasis of these comments is being put on the issue of the 'worsening situation' of human rights and democratic freedoms in Russia." The ministry statement is especially relevant for the Caucasus theater of tensions, which is exploited and fueled by London.

BP Officials Arrested in Moscow

March 21 (EIRNS)—Russian police raided the office of the BP joint venture TNK-BP in Moscow on March 19, and on March 20 made two arrests of BP officials, who will face charges of corruption and of espionage, according to Russian and British media reports. The two men have done university studies at Wellington College and Oxford in the U.K., on a grant by the British Council (which is itself under investigation in Russia for legal violations, espionage, and subversion).

One of the two arrested men, Alexander Zaslavsky, is president of the British Alumni Club, an organization of Russians who have studied at British universities. The Club is closely linked to the British Embassy in Moscow. Also of interest is that Ilya Zaslavsky, the brother of Alexander, is a member of an anti-Putin group that works via Facebook. Interfax reported that although the men have Russian names, both are U.S. citizens.

Southwest Asia News Digest

Lavrov Proposes Mideast Conference in Talks with Olmert

Olmert: Israel Is Interested in Syrian Talks

Lavrov Discusses Moscow Peace Conference with Palestinians

Hamas-Fatah Talks Inconclusive

Lavrov Proposes Mideast Conference in Talks with Olmert

March 21 (EIRNS)—Russian Foreign Minister Sergei Lavrov, in his talks in Jerusalem with Israeli Prime Minister Ehud Olmert, proposed that Moscow host a Middle East peace conference, where Syrian-Israeli talks will be the major topic of discussion.

Olmert was noncommittal about the conference, saying, according to the Israeli daily *Ha'aretz*, "We must examine whether such a summit will serve the negotiations with the Palestinians, and only then decide." In response to an inquiry by Lavrov as to whether Israel would be open to Russian mediation in talks with Syria, Olmert said, "I am ready to begin a diplomatic process with Syria only if they distance themselves from the 'axis of evil' and stop supporting Hamas and Hezbollah."

Israeli President Shimon Peres, in talks with Lavrov, said that "talk of peace from Syria arouses distrust within Israel."

Lavrov made the same proposal when he was in Syria on March 19. He said that everyone at the Annapolis, Md. peace conference last November agreed that a follow-up conference should be held in Moscow, which would focus on the Syrian-Israel track.

Sergei Kiprichenko, Russia's ambassador to Syria, said that Lavrov's trip to Israel was aimed at nailing down a date for the conference. "We are definitely talking about holding it this year. The Israeli-Syrian peace track is guaranteed to be on the agenda. Syria is very interested and is making efforts for the conference to succeed."

Syrian Foreign Minister Walid Moallem said Syria would attend such a meeting in Moscow, but warned that Israeli strikes against Gaza make such a conference difficult. "Syria cannot be absent from a major meeting that would discuss the Golan. But it does not make sense to restart the talks with Israeli massacres taking place in Gaza. An atmosphere has to be created first," Moallem said.

Olmert: Israel Is Interested in Syrian Talks

March 17 (EIRNS)—Israeli Prime Minister Ehud Olmert told a joint session of the Israeli and German cabinets that Israel is interested in talking with Syria, which he said will lead Damascus to break with the "axis of evil." Olmert made a similar statement to the Israeli cabinet last week.

This is the first joint session of the Israeli cabinet with the eight ministers of the German cabinet who accompanied Chancellor Angela Merkel on her state visit to Israel. The fact that such a statement was made in such a forum is seen as yet another reaffirmation that Israel, with international support, especially from the U.S., would enter peace negotiations

with Syria.

Lavrov Discusses Moscow Peace Conference with Palestinians

March 22 (EIRNS)—Russian Foreign Minister Sergei Lavrov held talks yesterday with Palestinian President Mahmoud Abbas in Ramallah on the West Bank, where they discussed the Russian initiative for a peace conference in Moscow. Lavrov told Abbas that he has discussed the conference with the other Quartet members—the United States, the European Union, the United Nations—and other Arab countries.

During a joint press conference with Abbas, Lavrov said they were prepared to do anything to assure the success of such a conference. "We will also work to speed up the international community's efforts in order to implement what was agreed upon in Annapolis," Lavrov is quoted by as saying in Israel's Ynet. Denouncing Israel's continued settlement building, he said, "We call for an immediate halt to settlement activity." Lavrov also called for Israel to lift the siege on the Gaza Strip.

Ha'aretz reports that Israel has allowed the sale of 25 Russian armored vehicles to the Palestinian National Authority, after Russia agreed not to have machine guns mounted on them.

Hamas-Fatah Talks Inconclusive

March 20 (EIRNS)—Talks between Hamas and Fatah in Yemen ended today, without reconciliation, ostensibly over Fatah's insistence that Hamas relinquish control over Gaza, as a precondition for talks on restoring a coalition government. However, the fact that Hamas agreed to participate in the talks holds out the prospect for progress.

Asia News Digest

Provocation in Tibet Has No Takers in Asia

Getting Ready To Join the Tibetans Against China

South Korea Begins Preparation for Crisis

Provocation in Tibet Has No Takers in Asia

March 16 (EIRNS)—Despite the British-led efforts to intensify confrontations against China using Tibet as the *raison d'être*, it is evident that none of the Asian countries, in and around Tibet in particular, are willing to provide support to the agents of chaos.

India, along with Nepal, which borders China's Tibet region, has barred several hundred Tibetan exiles from starting a march to Tibet to protest Beijing hosting this Summer's Olympic Games, as Tibetans rioted in Lhasa this week. Other demonstrations were held in New Delhi and Katmandu, Nepal, where ten activists were detained after hundreds clashed with police.

Getting Ready To Join the Tibetans Against China

March 19 (EIRNS)—A British-guided destabilization operation against China, targetting the Olympics in particular, will

soon expand from the current instigated unrest in Tibet, according to a source in New Delhi. The source says that the violent protests and demonstrations launched by Tibetans in Lhasa will be soon joined by the Uighurs, the Chinese Muslims from Xinjiang province, who are of Turkish ethnic background.

Hundreds of thousands of Uighurs moved out of China following the Communist takeover in 1949. Some of them joined the underground and came under the control of the British MI6 intelligence service and a section of Pakistan's Inter-Services Intelligence (ISI). Many of these Uighurs are now based in Pakistan, mostly in the tribal areas bordering Afghanistan.

The source indicates that the Uighurs are in the process of making arrangements to sabotage the April 16 event when the Olympic torch, destined to reach Beijing, passes through Islamabad, Pakistan. Pakistani security forces may not be able to prevent an attack.

EIR has covered the infiltration of the British MI6-run jihadists in Pakistan's security establishment over the years. It is this group of militants who were involved in the Dec. 27, 2007 assassination of Begum Benazir Bhutto, the two-time prime minister and leader of the largest political party in the country, the Pakistan People's Party (PPP). Her assassination was an element of a British-run "chaos operation," still under way, to keep nations off-balance as the financial system crashes, and within Eurasia, to target China and Russia for destabilization.

South Korea Begins Preparation for Crisis

March 20 (EIRNS)—South Korea's government today announced an emergency decision to lift import tariffs on 70 price-sensitive food products, including wheat, corn, syrup, soybean cake, and coffee cream, effective April 1, as part of its effort to stabilize local consumer prices amid soaring international prices of raw materials. The government also unveiled a plan to freeze almost all public utility rates, including public transportation fees and tap-water charges, through consultations with provincial governments and public corporations.

Beyond price controls, the government will diversify import sources and utilize less expensive goods. Other anti-inflationary measures will include an overhaul of distribution channels of agricultural and livestock products, and the provision of low-interest loans to low-income households incapable of coping with rising rents.

The value of the Korean won is rapidly falling, even against the collapsing dollar, because "hot money," both domestic and foreign, is leaving Korea. According to Vice Finance Minister Choi Joong-kyung, the government is ready to take unspecified measures to ease the sharp depreciation of the won, if the currency market shows "abnormal fluctuations."

The food crisis in North Korea is reported to be dire. The country is not a major purchaser on the international markets, but does depend on foreign aid, especially that tied to the Six-Power Agreement. Accelerating rising food prices means that less grain can be purchased for a committed dollar amount.

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[top of page](#)

[home page](#)