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**Obama's 'Pound of Flesh':**  
**Act Now!**  
**by Lyndon H. LaRouche, Jr.**

May 24—Since his visit to hug the wicked little Queen in London, President Barack Obama no longer pretends to be the person he only seemed to be, briefly, during that preceding, initial, short ``honeymoon" phase of his Presidency. To a certain degree, I can account for certain exact evidence of his current behavior, both as to its character, and to its, presently threatened, horrid outcome for the world, if that pattern is allowed to continue without a sweeping reversal, very soon, of every policy he has put forward since that pilgrimage to worship at the shrine of imperial Buckingham Palace....

**In-Depth articles from EIR, Vol. 36, No. 22**  
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## **This Week's Cover**

- **Obama's 'Pound of Flesh':**  
**Act Now!**

**by Lyndon H. LaRouche, Jr.**

Since his visit to hug the wicked little Queen in London, President Barack Obama no longer pretends to be the person he only seemed to be, briefly, during that short 'honeymoon' phase of his Presidency. The real story, LaRouche writes, is the terrible things which will take over the world, things which might seem to strike sooner than you could say 'Adolf Hitler,' unless certain very specific, and very radical changes are made very soon.

- **Where the Day Starts with Jerks:**  
**Wall Street!**

LaRouche writes that no one in or around the White House knows how actual wealth is produced. That ignorance has led Obama to base his health-care policy on those practiced by Adolf Hitler's Nazi doctors.

- **Hitler's T4 Program Revived in Obama's Health-Care 'Reform'**
- **Britain's NICE:**  
**Who Gets Medical Care, Who Dies**
- **Kill the HMOs To Cut U.S. Health-Care Costs**
- **'Act Now!':**  
**Measures To Solve the Crisis**

## **Science**

- **The Substance of Tensors:**

## **The Ontological Matter**

**by Lyndon H. LaRouche, Jr.**

A breakthrough by a member of the LaRouche Youth Movement 'Basement Team' on the concept of the tensor, inspired LaRouche's latest discussion on the subject of scientific and poetic irony: The clearest example of that universal principle of Classical poetic irony as encountered in the work of physical science, is presented to us in the most deeply-rooted treatments of the work of Bernhard Riemann, as in the attention to his work by the scientists Albert Einstein and Academician Vernadsky.

# Economics

- **Obama Administration Pushes Corporatist Globalization**

City of London-based imperial fascists now dominate both the financial system and the Federal government. They are using their power to run the greatest criminal swindle in history—the Wall Street bailouts—while using the financial crisis to gut what remains of the productive economy.

- **The Voters Must Decide:**

## **Stop Rationing Health Care!**

**by Helga Zepp-LaRouche**

**Dr. Jörg-Dietrich Hoppe**, president of the German Medical Association, stated that Germany's health-care system is on the verge of collapse, as the result of dramatic underfinancing, and called for rectifying this situation, although the media distorted his urgent message.

- **The German HealthCare System:**

## **'Expose the Secret Rationing!'**

An interview with Dr. Jörg-Dietrich Hoppe

- **EU Countries Take the Ax to Health Care**

The austerity policies of the last two decades have brought about a massive dismantling of medical facilities throughout the developed world, a process which will intensify under the pressure of the crisis.

- **Business Briefs**

# International

- **Mumbai II:**

## **Pakistan Faces Multiple Challenges**

The accuracy and size of the terrorist attack in Lahore, Pakistan on May 27 indicate that the terrorists belong to the same group that carried out the assault on Mumbai, India last November. Meanwhile, helplessness and confusion prevail in the Obama Administration over its Afghanistan-Pakistan policy.

- **Mattei and Kennedy:**

## **The Strategic Alliance Killed by the British**

The collaboration between postwar industrial and political leader **Enrico Mattei**, and U.S. **President John F. Kennedy** demonstrates that after World War II, the main divide in the world was never the conflict between 'communism' and the 'free world,' but that between the American System and the British Empire.

# Interviews

- **Jörg-Dietrich Hoppe**

Dr. Hoppe is the president of the German Medical Association. He spoke at the 33rd German Medical Assembly in Mainz on May 19-22, 2009.

# Editorial

- **Nero's First 100 Days**

## This Week's News

## U.S. Economic/Financial News

### **Obama's Auto Task Force: More Inept than the Amazin' Mets**

### **Who'd Bail Out GM's Bankers at 100%? Only the Obama Treasury**

#### **Obama's Auto Task Force: More Inept than the Amazin' Mets**

May 28 (EIRNS)—Baseball's N.Y. Mets were so inept in their early years, that manager Casey Stengel once plaintively asked about the team he called the Amazin' Mets, "Does anyone here know how to play this game?" Stengel's remark leaps to mind in the latest news about President Obama's "auto industry task force."

Fox News reported May 27, that the combined auto-industry experience of the members of the task force is: *zero* years. Cong. Louie Gohmert (R-Tex.) was quoted, "Of course we know that nobody on the task force has any experience in the auto business, and we heard at the hearing many of them don't even own cars. And they're dictating the auto industry for our future? What's wrong with this picture?"

Meanwhile, the Ohio *Twinsburg Bulletin* reported that the head of the task force, Dr. Ed Montgomery, visited the town on May 22 for talks with town leaders about the local Chrysler stamping plant. The *Bulletin* reported that "Montgomery said \$50 million (!) in new funds will be made available on a competitive basis to communities most affected by closures. The money will fund training for workers to pursue careers in the energy efficiency and renewable energy sectors." Rep. Steven LaTourette (R-Ohio) said he doubts there are that many green jobs in Northeast Ohio. "I'm afraid the only green jobs that will be available will be cutting the lawns of Wall Street bigwigs," he said.

#### **Who'd Bail Out GM's Bankers at 100%? Only the Obama Treasury**

May 27 (EIRNS)—No Wall Street bailout is apparently too big for the Obama White House. GM's bankruptcy declaration at the beginning of next week became all but inevitable, when the Federal government proposed to bail out GM's secured bank creditors—the biggest are J.P. Morgan Chase, Citigroup, and Credit Suisse—at the full face value of their loans. Some bankruptcy! Would even Hank Paulson have gone this far for Wall Street?

In fact, the government-staged bankruptcy of GM has come to look a lot like fascist banker Felix Rohatyn's 2005 plan for the "strategic bankruptcy" of GM's former parts division, Delphi Automotive—with President Obama in the role of Rohatyn. GM would deliberately be changed into a "lean, global" maker of small, fuel-efficient vehicles, with its headquarters in the United States, but most of its production operations in Asia and South America, major parts of it sold off quickly in the bankruptcy, and its bank creditors made whole.

Rohatyn Associates' plan didn't work for Delphi, still in bankruptcy four years later, despite the virtual elimination of its U.S. production operations. Obama's won't work for GM's survival either, as the UAW union has belatedly figured out.

The GM bankruptcy was assured today, when the bank creditors refused to take stock equity for their debt. *Wall Street Journal* sources told the paper that about \$30 billion of their debt will be bailed out at "about face value," leaving "only" \$10-15 billion of GM creditor-debt unpaid after bankruptcy. The total Federal bailout cost could run to \$70 billion, on top of the \$19.5 billion already put in through the Treasury's TARP program for Wall Street bailouts. The United States will be 70% owner as well as debtor-in-possession financier.

The United Autoworkers has negotiated a slight improvement in its deal, taking somewhat less of worthless GM stock for its health plan, and getting instead \$6.5 billion in preferred shares and a \$2.5 billion (unsecured!) note. But the union still agreed to a buyout of 21,000 more production workers, one-third of those remaining at U.S. facilities of GM.

"The fear at the UAW was that ownership in GM could eventually be worth very little," said a union source.

## Global Economic News

**British IMF Mouthpiece Tells Russia, China To Dump the Dollar**

**South Korea, Japan To Be Hit by GM Bankruptcy**

**Post-Vietnam War Globalization Boom Has Gone Bust**

**Brits To Demand U.S. Protection of Off-Shore Tax Havens**

**Next Ukrainian Gas Crisis Pre-Programmed, Say Russian, Italian Experts**

### **British IMF Mouthpiece Tells Russia, China To Dump the Dollar**

May 28 (EIRNS)—Martin Gilman, a London School of Economics graduate who formerly was the IMF's representative in Moscow, is egging the Kremlin on in pursuit of the worse-than-useless "ruble as reserve currency" scheme. The *Moscow Times* of May 13 published Gilman's guest article, "Ruble Reserve Currency May Not Be So Crazy." None of the necessary preconditions for the ruble to function as a reserve currency has been fulfilled, wrote Gilman, but recent days of panic in the U.S. bond market "could be ominous for the future of the dollar."

Fanning fears of a dollar collapse, IMF veteran Gilman called for China and Russia to dump the dollar. "These worried dollar holders have thus far refrained from dumping U.S. Treasury securities only because their prices were rising and the dollar has strengthened over the past year—both of which are almost certainly temporary.... Last week's disappointing auction of Treasury bonds must tempt some to book their profits before the stampede begins. Big conversions by Russia, China or another large holder, or even market fears thereof, could trigger a massive run on the dollar." Now that "doesn't guarantee a global future for the ruble, but it does increase the likelihood that reserve currency substitutes will be in demand."

### **South Korea, Japan To Be Hit by GM Bankruptcy**

May 28 (EIRNS)—Officials in South Korea are reviewing various options to reduce the damage from the expected bankruptcy of GM next week.

GM holds a 72% stake in GM Daewoo, its South Korean carmaker, with the remainder being controlled by state-run Korea Development Bank (KDB). It produces mostly small cars, almost 90% of which are exported. The government is also trying to preserve the more than 800 parts and components companies that deal with GM Daewoo. There is some discussion of KDB providing fresh funds, but that is by no means certain.

GM has no presence directly in Japan, but does business with over 100 Japanese parts suppliers, and has joint ventures with several Japanese carmakers in the U.S. and Canada. The GM bankruptcy will create significant bad debt for the Japanese parts firms, which are already burdened by substantially reduced demand from their Japanese auto company customers.

## **Post-Vietnam War Globalization Boom Has Gone Bust**

May 27 (EIRNS)—Vietnam fought and suffered for 30 years after World War II to throw out colonialism and become truly independent. Little more than a decade after success in that struggle, the brave but naive Vietnamese nation was seduced by the promise of prosperity by becoming a willing partner in the globalization process, selling its citizens' labor power cheap, with the hope of obtaining development in return.

That dream has collapsed as the international system has disintegrated.

In the first five months of this year, new foreign capital coming into the country has dropped to just \$6.68 billion, a full 76% lower than the corresponding period last year. Foreign-invested projects collapsed by a shocking 89%, to only \$2.7 billion.

Foreign capital found Vietnam attractive only as long as it could produce basic exports at one of lowest labor costs in Asia, but the Vietnam export market has disappeared, exports for the period being down 37%. Thus, no market, no profits, no foreign investment coming in.

And, as in China, masses of the rural population who were drawn to the export production centers for wages, have become unemployed. And being unemployed in the cities with no prospects, they return to their villages, where there is neither employment nor social services to maintain them.

## **Brits To Demand U.S. Protection of Off-Shore Tax Havens**

May 24 (EIRNS)—British banks and stockbrokers are threatening to boycott U.S. customers over the Obama Administration's proposals to crack down on offshore tax evasion, the London *Sunday Telegraph* reports. The Brits claim that it could become too expensive to service American accounts, if they are required to police their clients to make sure they're not evading taxes. "The danger to us is being hauled over the coals by the IRS for a client that hasn't paid proper taxes."

A delegation of British bankers and private investment managers is meeting with the U.S. Treasury and IRS on June 16 to demand they drop the planned reforms.

## **Next Ukrainian Gas Crisis Pre-Programmed, Say Russian, Italian Experts**

May 27 (EIRNS)—In the framework of the Rome energy summit, Russian Energy Minister Sergei Shmatko warned that

Ukraine is not stocking gas. "Kiev has not yet started to pump gas in order to stock their reserves," Shmatko said. Ukraine's reserves amount to 19 billion cubic meters, and cost \$5 billion. Russia "is ready to support Ukraine, but we must not be left alone," he said. If Ukraine keeps delaying the pumping, "there will no longer be time to fill their reserves." Shmatko said Russia informed the EU, but the EU "has no clear position."

Although Ukraine still pays 20% lower than the market price for Russian gas, the Kiev government is bankrupt and is not buying gas. The situation will worsen in 2010, when Kiev must pay the full market price. Paolo Scaroni, CEO of the Italian national oil and gas company, ENI, said that Ukraine "is not filling its stocks because it has no money to pay for the supplies. It is not a political problem. It is an economic problem." This means that another gas crisis, with Kiev tapping into gas deliveries for Europe, might break out again next Winter.

Scaroni, who endorsed Shmatko's proposal to ban financial derivatives on oil, was asked by journalists what he thinks about the proposal Shmatko made in an interview with an Italian newspaper. Scaroni answered that he supported "an intervention to allow trading in the forward market only for operators who need it," i.e., oil traders who want to hedge against price oscillations.

## United States News Digest

### Nero in Beverly Hills, Touts First 100 Days

### Rohatyn's Fascist Infrastructure Bank Moves Forward

### Gates: Time Running Out in Afghanistan

### Obama Has Different Messages for Different Groups

#### Nero in Beverly Hills, Touts First 100 Days

LOS ANGELES, May 29 (EIRNS)—At a Democratic Party fundraiser in Beverly Hills, Calif., attended by wealthy fawning Democrats and members of the Hollywood aristocracy who wanted to be seen with Barack Obama, the President with the Nero syndrome did not disappoint, as he repeatedly compared himself favorably with President Franklin D. Roosevelt.

Reporters from the *Los Angeles Times* write that Obama was "strikingly upbeat and assured," telling supporters that he would "stack his first four months in office against any president going back as far as Franklin D. Roosevelt."

Demonstrating either his delusional state, due to brainwashing by his fascist crew of "behavioral economists," or his facility in lying, he said, in speaking of his economic policies of bailing out London and Wall Street swindlers, while pushing murderous Nazi euthanasia policies, disguised as a "cost-effective approach to health care," that it's now "safe to say we have stepped back from the brink, that there is some calm that didn't exist before."

A source who attended the event reported that Obama bristled when asked if he could have done more in the first 100 days, as FDR did. He responded that times are different today, with the 24-hour daily news cycle, during which reporters with an agenda try to diminish what he has accomplished. He called on people to help him get out the word, that what he has done has been extremely significant, more than any recent President, and that he is proud of his record, which, given the times, goes beyond what FDR did. Our source said that attendees greeted every utterance from him with wild applause.

## **Rohatyn's Fascist Infrastructure Bank Moves Forward**

May 28 (EIRNS)—A major step was taken last week on the creation of a National Infrastructure Bank, as proposed by fascist banker Felix Rohatyn. Rep. Rosa DeLauro (D-Conn.) introduced a bill in the House May 20, which would authorize the creation a privatized infrastructure bank; Rohatyn appeared at the press conference to announce the bill. DeLauro's measure has three Democratic co-sponsors in the House: Minnesota's Keith Ellison, and Tony Weiner and Steve Israel of New York. The bill has not-unexpected support from construction unions' National Construction Alliance, the Building and Construction Trades Department, the American Society of Civil Engineers, and the AFL-CIO, but more telling was the presence of Rohatyn, industrialist turned speculator Bernard Schwartz, and Anna Burger of the Service Employees Industrial Union.

Support for the NIB is only explainable by desperate legislators and the lack of a national development plan on the part of the Obama Administration, which, under the control of economic advisor Larry Summers and the National Economic Council, could care less about the physical economy. For his part, Rohatyn called the NIB an "essential" and "transparent" institution, "modelled on the European Investment Bank," which, "can leverage significant private capital for infrastructure projects."

Private capital? From where?

## **Gates: Time Running Out in Afghanistan**

May 26 (EIRNS)—Secretary of Defense Robert Gates, in a *Wall Street Journal* interview published today, warned that American public support for the U.S. war in Afghanistan will dissipate within a year, unless the Obama Administration achieves a "perceptible shift in momentum." Right now, Gates said, the momentum is with the Taliban. "People are willing to stay in the fight, I believe, if they think we're making headway. If they think we're stalemated and having our young men and women get killed, then patience is going to run out pretty fast."

Gates also provided some insight into why he fired Gen. David McKiernan, the U.S. commander in Afghanistan, and nominated special operations veteran Lt. Gen. Stanley McChrystal to replace him. As the *Journal* notes, Gates is driving the services to orient more towards counterinsurgency and irregular warfare, and to lessen the focus on conventional conflict. McChrystal's appointment, along with that of Lt. Gen. David Rodriguez as his deputy, reflects that shift, along with the change in strategy in Afghanistan.

## **Obama Has Different Messages for Different Groups**

May 25 (EIRNS)—"Obama's Center Left Two Step," a column in today's *Washington Post* by Democrat E.J. Dionne, Jr., shows that Obama's policy changes are beginning to worry some Democrats. "Over the last week, the true nature of Obama's political project has come into much clearer view," Dionne writes. "He is out to build a new and enduring political establishment, located slightly to the left of center, but including everyone but the far right." After babbling, Dionne gets to the point: "The disturbing aspect of Obama's effort to create his new political alignment is that building it requires him to send rather different messages to its component parts. Playing to several audiences at once can lead to awkward moments."

Dionne gives the example of the White House's May 21 invitation to journalists for a briefing on Obama's speech on Guantanamo and the treatment of detainees, where, "Unbeknownst to the writers until afterward, they had been divided into two groups, one more centrist with a sprinkling of moderate conservatives, the other more liberal. (I was in the liberal group.) The President made an unscheduled appearance at each briefing." While "charming" both groups, Obama tried to

"sell the liberal group" on the aspects of his plan that are a break from George W. Bush, and "to sell the centrist group on the toughness of his approach."

Although Dionne in no way grasps the danger of "policy by teleprompter" Obama represents, the columnist nonetheless concludes, "But establishments have a habit of becoming too confident in their ability to manipulate people and events, and too certain of their moral righteousness. Obama's political and substantive gifts are undeniable. What he needs to realize are the limits of his own mastery."

## Ibero-American News Digest

### Brits Jack Up Separatist Movement in Ibero-America

### PRI Sonora Candidate Addresses Pro-PLHINO Meeting

### 'Narco Retail' Legalization Law Runs into Trouble in Mexico

### Brazil Prepares To Produce H1N1 Vaccine

## Brits Jack Up Separatist Movement in Ibero-America

May 29 (EIRNS)—A British-run and -inspired fascist apparatus is gearing up throughout Ibero-America, with the intention of breaking up nation-states, against the backdrop of the current global financial meltdown. As the British did in the 19th Century, the entities that make up this apparatus preach the virtues of limited government, free markets, and "private institutions separate from the State," because these cohere "with the natural order." They seek states that "are limited in territory and population"; governments which have limited functions of security, justice, and public works, "but nothing else," as the declaration of the so-called Confilar (International Confederation for Regional Autonomies) asserts.

At the center of the network is the Mont Pelerin Society-steered fascist think tank and NGO network: the Cato Institute, the American Enterprise Institute, the Atlas Foundation, and the Friedrich Neumann Foundation, among them—with money from the National Democratic Institute (NDI) thrown in to grease the wheels.

A recent addition to this network is a group called UnoAmerica, headed by Alejandro Peña Esclusa, the Venezuelan LaRouche movement deserter who was recruited to Spanish fascist Blas Piñar's side. UnoAmerica is concentrating on promoting separatism in Bolivia at the moment, but it has a continental perspective, and is generously financed. Peña is currently on a continental tour accompanied by Jorge Mones Ruíz, an Former Argentine military officer associated with Capt. Gustavo Breide Obeid's wing of the New Fascist International, uncovered by *EIR* in 2003.

A May 27 article in *Analitica.com* by Gustavo Coronel, a McLean, Virginia-based Venezuelan Mont Pelerin activist, waxes ecstatic about UnoAmerica, saying no one should worry about all the leftist Presidents in Ibero-America, because a movement on behalf of democracy is flourishing throughout the continent, having established itself in several key cities: Rosario and Cordoba in Argentina; Santa Cruz in Bolivia; Guayaquil and Cuenca in Ecuador; Bogota and Medellin in Colombia; and Maracaibo and Valencia in Venezuela. "These are powerful political and social currents which are vigorously resisting the swine flu of populism," Coronel writes. "All these cities, except those located in truly democratic countries, demand autonomy precisely because the central governments are despotic, and asphyxiate their true commercial, political and social activity."



## **PRI Sonora Candidate Addresses Pro-PLHINO Meeting**

May 27 (EIRNS)—With a little more than a month to go before the July elections in Mexico, the PRI party's candidate for governor of the border state of Sonora, Alfonso Elias Serrano, addressed a meeting yesterday of 350 supporters of the proposed Northwest Hydraulic Plan (PLHINO), organized by the 21st Century Pro-PLHINO Committee in Ciudad Obregon. He explained why he, as governor, will fight to see that the PLHINO is finally built.

With his optimistic promotion of the PLHINO, the tri-state water project championed for years by Lyndon LaRouche, Elias has generated enormous enthusiasm and support among the citizens of this important agricultural state. The discussion at the Pro-PLHINO meeting generated media coverage on the advantages which constructing the project will bring.

Elias told his audience that with the building of the PLHINO, he foresees running a government that will overcome challenges, build great projects, and implement real economic development in the state. This great water project will employ 70,000 professionals, generate more than 200,000 jobs, open up 450,000 hectares of land for agricultural production, and include the building of six hydroelectric plants in three states—Nayarit, Sinaloa, and Sonora—he explained.

"We can't possibly think of ignoring projects that will unleash the development of our state," he said. "We can't paralyze these great projects. [Their value] isn't measured in pesos and centavos, but rather in the social well-being of our people." Elias recalled that as a Senator, he proposed that the Northwest Hydraulic Plan be placed on the *national* agenda, adding that now, as a candidate, he has redoubled his commitment to building this project, whose benefits extended well beyond providing water to the Yaqui and Mayo valleys. Elias vowed to lead the fight to improve living conditions of the people of Sonora, and the only way to do that, he said, is to invest in great projects like the PLHINO.

The meeting was opened by a presentation by the Schiller Institute's children's chorus, and was addressed also by long-term LaRouche associate Alberto Vizcarra, Secretary General of the 21st Century Pro-PLHINO Committee; Adalberto Rosas, from the Pro-PLHINO's board; and Óscar Gastelúm and Ramón Valenzuela, speaking in the name of agricultural producers.

## **'Narco Retail' Legalization Law Runs into Trouble in Mexico**

May 28 (EIRNS)—Second, saner thoughts appear to be stalling implementation of the so-called "narco retail" law legalizing "personal consumption" of seven different flavors of narcotics (from opium to LSD, and everything in between), passed by both chambers of Congress in the last week of April under the pretext of beefing up treatment programs. Although made somewhat worse by Congress, the bill that passed was essentially what the Calderón Administration had submitted for approval. The only thing left to put this travesty into effect, was the signature of the President, and its publication in the official gazette.

One month later, the law has yet to be signed. Assurances from champions of the bill from within the governing PAN party on May 26, that the President will ratify the law and it won't be vetoed, made legalization advocates within other parties even more nervous that "something is up."

The next day, Public Security Secretary Genaro García Luna, denounced the invasion of the country by "narco-retail," in a speech before the Canacintra manufacturers' association. Cocaine consumption doubled in the country between 2002 and 2006, he said. Whereas seven years ago dope "retail" sales were largely carried out in the bars, discotheques, nightclubs, and hotels, now distributors are using their own homes as sales centers. People have to understand the danger which "narco-retail" represents for society, and help create a "counter-culture" which rewards people who identify distributors, in order to redouble efforts against these crimes, he said.

## **Brazil Prepares To Produce H1N1 Vaccine**

May 28 (EIRNS)—Brazil's Butantan Institute is ready to begin work on producing 1 million vaccines against the A(H1N1) virus, as soon it receives the virus strain from the World Health Organization, Isaias Raw, head of the Institute's Foundation, announced on May 25.

The Institute, a world-class biomedical research facility of the Health Ministry of the state of São Paulo, produces 80% of the vaccines used in Brazil. It is already working on a vaccine against dengue, which would be ready by 2010, Raw said.

After participating in the flu vaccine strategy session between WHO officials and pharmaceutical company manufacturers on May 19, Raw had denounced the international pharmaceutical cartel as "worse than the oil producers." He charged that the multinationals, which hold a "monopoly" on vaccine production, refused to reveal their plans for vaccine production at the meeting, and formed a lobby against any drop in vaccine prices, so that no agreement was reached on either prices or how to get vaccines to poor countries. Only the members of the Developing Countries Vaccine Manufacturers Network (led by India and Brazil) made commitments to build up vaccine stockpiles for the United Nations to disburse to countries that cannot produce them, nor afford to buy them.

## **Western European News Digest**

### **France: Mandatory Vaccination Against Flu**

### **French Firm Will Produce H1N1 Vaccine for U.S.**

### **Spain Quarantines Two Military Schools**

### **LaRouche Cited on Weimar Hyperinflation Threat**

### **Chaos Reigns in British Politics**

### **Zepp-LaRouche Told You: Hartz IV Is Sinking German Economy!**

### **EU Farm Milk Diktat: Farmers Are Overproducing**

## **France: Mandatory Vaccination Against Flu**

May 30 (EIRNS)—*Le Journal du Dimanche* runs a prominent article today called "The Secret Plan Against Influenza A."

On May 29, experts met with the government at the office of French Prime Minister François Fillon to finalize a EU1 billion plan. If the flu strikes, France "will be ready to operate within a very short time span" with an unprecedented war plan. Doctors and nurses would deploy under mandatory state orders. Firms, state administrations, schools, day-care centers would be mobilized. According to Anne Laude, who co-directs the Law and Health Institute at the University of Paris, "no one would have the right, except for medical reasons, to refuse getting such a vaccination. Not accepting it on an individual basis would mean taking the risk of infecting others."

In practice, to defeat the disease, at least 70-75% of the population has to be vaccinated. Before going there, the government could choose key populations indispensable to keep the state functioning. The question now is: How can we convince the population and inform them without provoking utter panic. Between the state health sector, the authorities and the laboratories, "a race against time has started."

## **French Firm Will Produce H1N1 Vaccine for U.S.**

May 25 (EIRNS)—Sanofi Pasteur, the vaccines division of the French Sanofi-Aventis Group, announced today it has received the first of what is expected to be a series of orders from the U.S. Department of Health and Human Services (HHS) to start the production of a vaccine against the new influenza A(H1N1) virus. This order from HHS was issued pursuant to an existing pandemic stockpile contract between Sanofi Pasteur and the U.S. government that allows HHS to purchase vaccines for viruses with pandemic potential.

The HHS \$190 million order provides for the production of the bulk vaccine and related activities. The dosage requirements for the new vaccine are yet to be determined and will be based on clinical trials, which could begin as early as August. Final formulation and distribution of the vaccine also have not been established at this time.

## **Spain Quarantines Two Military Schools**

May 25 (EIRNS)—Spain decided to quarantine a second military base, fearing an H1N1 influenza outbreak. At the end of last week, 500 students at a military engineering school were quarantined in de Hoyo de Manzanares, in central Spain. So far, 20 people at the school caught the virus, with reportedly mild symptoms and without major complications.

However, another 91 military students, who frequented the school at de Hoyo, were quarantined at their home base at El Ferral, near Leon in northern Spain. The Defense Ministry came under severe criticism for having allowed other students to visit the de Hoyo school after the presence of the H1N1 virus was already suspected. So far, Spain has reported 135 cases, the highest number in Europe.

## **LaRouche Cited on Weimar Hyperinflation Threat**

May 29 (EIRNS)—The French financial magazine *Capital* ran a dossier on the danger of hyperinflation in its latest issue, with the following title and opening sentence: "Must We Fear Hyperinflation? Certain economists believe that the massive injection of liquidity by the central banks could lead to a rise in prices at the moment the upswing comes. We are not yet there though...."

The article leads with a kind of joke, saying that while the producers of protective face masks have begun mass production due to the danger of the H1N1 influenza, producers of wheelbarrows to carry around the currency needed to buy products priced at hyperinflationary levels, are not yet doing the same. "Will we be forced to do our shopping with such a cart, as in Germany in 1923—where 250 grams of sausage was worth 4,200 billion marks? Or to see prices double twice a month, as recently in Zimbabwe? The ultra-neoliberal American Rep. Ron Paul and the iconoclast economist Lyndon LaRouche—both very much listened too in the United States—are persuaded this is the case. And they are already working up their biceps...." The rest of the article is an assessment of that possibility.

## **Chaos Reigns in British Politics**

May 27 (EIRNS)—Over 100 British Members of Parliament—almost one-sixth—could be forced to stand down at the next election, due to the ever-expanding expenses scandal, said Paul Kenny, general secretary of the British General Union

(GMB), today on BBC. A growing number of MPs exposed by the *Daily Telegraph* have already said they will not contest the next national elections, as the leaders of all three major parties trip over each other to call for constitutional reform in the U.K.

As to the Queen, she has a strong interest in preserving the British constitution, because that is what gives her power, the source said. What the Queen had done, such as calling Prime Minister Gordon Brown on the carpet for not ousting the Speaker earlier, is right in line with popular opinion—she was forcing the government to do what the population wants it to do.

## **Zepp-LaRouche Told You: Hartz IV Is Sinking German Economy!**

PARIS, May 30 (EIRNS)—Yesterday's French daily *l'Humanité* underlines the economic consequences of Germany's Hartz IV "social welfare reform" adopted in 2004. The measures, supposed to whip the long-term unemployed into active job seeking, cut unemployment subsidies after 12 months. The unemployed can then get EU351 per month in welfare disbursements, but only if the recipient accepts "any job offered at any rate." From there, the infamous "EU1 jobs"—jobs at EU1/hour—are being offered "to complete" their income!

On May 18, a study was published by the Paritätischer Wohlfahrtsverband on how the German "Proletariat" became the German "Prekariat." The study considers as "poor," those whose monthly income is less than 60% of the German national average income needed to survive, which means less than EU764 per month. Today, one German out of seven is below this poverty line. The eastern German states are, of course, worse off, with a 24.5% poverty rate in Mecklenburg, and 17.5% in Berlin! Poverty in Bremen in the North is at 19.1%, and the Saarland at 16.8%, while even the supposedly better-off states like Bavaria or Baden-Württemberg have poverty rates over 10%.

Germany's main income in the last decade came from exports to Asia and wage deflation at home. With the collapse of exports, industry is trying to reorient towards the domestic market. But the poor have far too little to drive a consumption upswing. Therefore, Germany's economy is taking the double blow from both falling exports as well as falling consumption.

## **EU Farm Milk Diktat: Farmers Are Overproducing**

PARIS, May 26 (EIRNS)—Facing a 30% drop in prices for their production, 12,000 French dairy farmers started their action week today by blocking 81 milk-processing factories all over the country, while the French government called for all parties involved to return to negotiations the government itself scrapped earlier.

Some 900 dairy farmers from Germany, Belgium, and France demonstrated in Brussels, while farm tractors blocked major roads in the city's European quarter, where the 27 EU farm ministers met to discuss a French-German rescue plan. The plan, backed by Austria, which demands an increase in subsidies and other measures to end the crisis, was rejected. Opposing the plan, at least five EU members called for an immediate moratorium in annual milk quotas. Quotas were introduced in 1984 to tackle the then notorious butter mountains and milk lakes created by so-called over-production. However, the quota system guaranteed a parity price for every liter of milk produced, within quota, which allowed farmers to invest in the industry. Last November, the EU decided to lift quotas by 1% per year, and then scrap them altogether in 2014-15.

In a move to calm down dairy farmers facing immediate bankruptcy, the EU merely agreed on paying out in advance, as early as October 2009, farm subsidies due for 2010.

# Russia and the CIS News Digest

## Primakov: Downgrading Dollar 'Not Rational'

## Russian Economy Shrinks, Unemployment Surges

## Russian Railcar Production, Gas Output Collapse

## Russian, Ukrainian Economists Talking About LaRouche

### **Primakov: Downgrading Dollar 'Not Rational'**

May 28 (EIRNS)—Amid continuing official enthusiasm from the Kremlin, along with Brazilian and Chinese officials, about setting up "multiple reserve currencies" and moving toward George Soros's "supranational currency" scheme, senior Russian figure Yevgeni Primakov has thrown some cold water on these notions. Addressing a meeting of the Mercury Club May 18 of his Chamber of Commerce and Industry, Primakov said that "it would be counterproductive to return to the previous world financial and monetary system," but he scolded people who have romantic fantasies about an overnight leap to "multipolarity" in the monetary system.

Said Primakov, "A rational approach to world financial reform is not compatible with the notion that it would be possible to downgrade the U.S. dollar, in the near-term post-crisis perspective, to a regional currency or to create a new international supercurrency. In the future, this obviously will happen, but not when the U.S.A. remains a leading power in international economic relations. The situation will change, but gradually. One should not strive to turn the ruble into a reserve currency without first advancing Russia to the status of a leader in sectors of the world economy. It is not the export of oil and gas, but the development of the domestic market that makes for a stable ruble. Expanding the use of the ruble in international settlements and as a reserve currency may be a strategic goal, but one cannot artificially promote its achievement, since doing so would have heavy political and economic costs."

For Russia, Primakov added, "Participation in forming a new international financial architecture should in no way be a higher priority than developing the Russian national financial market, which needs to become a self-sufficient system and a real source of credit resources for our entrepreneurs."

### **Russian Economy Shrinks, Unemployment Surges**

May 26 (EIRNS)—The Russian economy contracted by 10.5% in April, and 9.8% in the first four months of 2009, Deputy Economic Development Minister Andrei Klepach said in Moscow today, Prime Tass reported. Investment has contracted 15.8% so far this year, and industrial production nearly 17% in April, Klepach said. He also reported that the Russian foreign trade surplus has shrunk by 50% this April, from a year ago, to \$7.5 billion. Klepach tried to claim that the economy is "hitting bottom," but acknowledged that the "depth of the slowdown, the scale of the fall is still increasing, but the pace is slowing down."

Unemployment figures belie Klepach's claims of bottoming out. Unemployment is at a nine-year high, according to figures released by Rosstat, the federal statistics service, on May 22. Some 200,000 people lost their jobs in April, sending unemployment up to 10.2% of the economically active population. This means that 7.7 million people are unemployed—and 3.2 million of them have lost jobs just since August 2008. These estimates do not include guest workers. Real wages contracted by 3%, the worst figure in 10 years.

Rosstat also reported that foreign direct investment slumped by over 30%, to \$12 billion, in the first quarter of 2009.

Today, Deputy Finance Minister Oksana Sergiyenko said that the economic contraction could be 50% deeper this year than it was in the crisis year of 1998. She warned that government revenues will be 300 billion rubles (\$9.66 billion) less than anticipated by the current federal budget, and that "if the [economic] situation is less favorable [than anticipated], then the [federal] deficit may exceed 9% of GDP."

*Russia Today* reported that with the budget deficit at this level, all of Russia's Reserve Fund, set up with oil revenues, will be exhausted by the end of this year. Finance Minister Alexei Kudrin has said that Russia will have to raise \$10 billion on international markets to fund its deficit next year, to avoid going to the IMF.

## **Russian Railcar Production, Gas Output Collapse**

May 28 (EIRNS)—What Russia's latest production collapse statistics mean on the ground, can be seen in the latest reports from the rail transport and natural gas sectors.

During the first quarter of 2009, the national rail system Russian Railways experienced a 26% drop in freight traffic and a 12% decline of passengers. "We thought there would be stagnation, with no growth," Newsru.com quoted Russian Railways CEO Vladimir Yakunin saying in April, "We thought it might drop by 1-2%, but we did not in the least suppose that passenger carriage could decline by 12%. But that is what has happened."

On May 25, the Ural regional press agency Ura.ru carried a dramatic report on Yakunin's forthcoming June 5 trip to Yekaterinburg. He will be hosted by Nikolai Vinnichenko, Medvedev's recent appointee as Presidential Representative in the Ural Federal District. The main topic is the crisis situation at Uralvagonzavod (UVZ), the giant army tank and rolling-stock factory in Nizhny Tagil, where currently over 20,000 workers are laid off.

Trade union sources told Ura.ru they may stage a mass demo outside Vinnichenko's office in Yekaterinburg while Yakunin is there. The situation is dire. The plant, pride of the Sverdlovsk Region, is "on the brink of not surviving." The railcar assembly lines are shut down, and only the military tank production unit is still working. The workers are receiving two-thirds of their base pay, which itself is far less than their salaries (made up of base pay plus standard supplements). As against normal annual output of 20,000 railcars, the only order they have is to make 300 petroleum tank cars for Freight One, a Russian Railways subsidiary. Unless Yakunin comes up with some business for the factory, they're finished, concludes Ura.ru.

Also starkly troubled is Gazprom, one of the biggest companies in the world, and Russia's biggest taxpayer. As of mid-March, the Ministry of Energy reported, Gazprom's output was down 25% year-on-year. Its revenue has been savaged by the drop in natural gas prices: Last year Gazprom sold gas to Europe at \$409/thousand cubic meters; this year it is projecting an average price of only \$260/tcm. A Eurasianet report dated March 24 reflected continuing close attention by hostile strategists, as from Britain's James Sherr of the RIIA in earlier articles, to Gazprom's troubles as a Russian vulnerability. Calling Gazprom "suddenly embattled," the Eurasianet report noted that Gazprom locked in what are now relatively very high prices, negotiating contracts with Central Asian gas suppliers back in Spring 2008. Natural gas market watchers project that Gazprom will lose \$3.5 billion on these purchases of 15 billion cubic meters (bcm) from Turkmenistan, 15 bcm from Kazakhstan, 7 bcm from Uzbekistan (the total being equal to about 14% of Gazprom's production in 2008).

## **Russian, Ukrainian Economists Talking About LaRouche**

May 28 (EIRNS)—There is so much discussion of Lyndon LaRouche's forecasts and proposals, in the Russian-language part of the Internet, that one forum participant recently commented, "LaRouche is everywhere; soon he'll be crawling out of your household fixtures." Today, another anonymous blogger wrote, "I've gotten information about a person named Lyndon LaRouche. If I had my way, I would tear down any remaining monuments to Lenin, and put up monuments to Lyndon LaRouche. Lyndon LaRouche is an economist, who forecast all of the essential milestones of today's World and Russian economies."

On the Inoforum site, an upstart discussion project which translates articles from the world press, a Russian translation of the "Dialogue with Lyndon LaRouche: Barack Obama and the Nazi Doctors," drew five pages of commentary, nearly a hundred posts. Some of them were violently anti-American, but many others expressed just plain shock.

At the same time, a handful of leading Russian and Ukrainian economists are highlighting LaRouche's record more and more—some of them by choice, others because they can't avoid it.

At an April 24-25 conference in Kiev, called the Council of Slavic Peoples of Belarus, Russia and Ukraine, Progressive Socialist Party of Ukraine leader Natalia Vitrenko invoked LaRouche's record of accurate forecasts. Vitrenko, a Ph.D. in economics, also laid out, before an audience which included prominent Russian figures, LaRouche's demand to put the Fed and the whole system through bankruptcy reorganization.

Mikhail Khazin, president of the Moscow consulting company Neokon, has made a name for himself as Russia's leading forecaster of the current crisis. Though he interviewed Lyndon LaRouche for Russian Orthodox Church television in May 2007, Khazin usually avoids publicizing LaRouche's record, and, when pressed, states that LaRouche is a great thinker, "but not an economist." Recently, Khazin has been pressed very often, with listeners to his interviews and visitors to his blog constantly peppering him with the question, "What do you think about LaRouche?" On May 27, interviewed on the Voice of Russia radio station by Prof. Igor Panarin, Khazin said that Paul Krugman and other analysts were picking up material from his, Khazin's, writings. But he added, unprompted, that LaRouche has been talking about the crisis much longer: "At the same time, we should clearly understand that some elements of the theory of the crisis have been around, with different people. For example, Lyndon LaRouche stated them already in the 1980s. He used the not entirely precise [sic] term 'physical economy,' which means the following: that no economy can exist, if the financial sector is larger than the real sector."

## Southwest Asia News Digest

### Israelis Shocked That U.S. Could Change the Rules

### Ross Thinks Clinton's Mideast Policy Will Fail

### Netanyahu Brings Israel Closer to War with Iran

### High-Level U.S. Officials in Lebanon Prior to Elections

## Israelis Shocked That U.S. Could Change the Rules

May 31 (EIRNS)—When Israeli Prime Minister Benjamin Netanyahu returned to Israel empty-handed from his mid-May Washington meetings with President Obama, Secretary of State Clinton, and Special Envoy George Mitchell, Lyndon LaRouche pointed out that the life-long British asset takes his orders from London, not Tel Aviv. Netanyahu is key to the

British plan to keep the entire region in a state of perpetual crisis and war.

In keeping with LaRouche's instruction that the only solution is to get really rough with Netanyahu, members of the U.S. Administration have insisted that the Israelis immediately stop all settlement activity, in preparation for a two-state solution. LaRouche also instructed that the U.S. explicitly call out Netanyahu on his British agency, and get him to start taking his orders from Washington.

Now the British are trying to position themselves to deal with what they see as unacceptable American demands. Articles in the British and Israeli press portray Israeli officials as stunned by positions taken by the U.S. Administration. The May 31 *Sunday Times* of London places the blame for the change in U.S. policy on Secretary of State Clinton: "The biggest shock to the Israelis came from Hillary Clinton, who has made clear that the U.S. demands an immediate freeze on all building or expansion of Israeli settlements in the West Bank."

The Israeli daily *Ha'aretz* quoted one senior Israeli official complaining, "All of the understandings reached with the Bush administration are worth nothing." *Ha'aretz* reported, "The Israeli delegates were stunned by the uncompromising U.S. stance, and by statements from Mitchell and his staff that agreements reached with the Bush administration were unacceptable. An Israeli official privy to the talks said that the Americans took something that had been agreed on for many years and just stopped everything."

The latest spin coming out of Israel is that the only reason the Obama Administration is standing fast, is to propitiate the Arab world, in advance of Obama's trips to Saudi Arabia and Egypt this week. But Israeli leaders have told *EIR* that representatives of the military and security institutions and a majority of the Israeli population are in agreement with the position Clinton and Mitchell are taking. One Israeli analyst said most Israelis are relieved that the U.S. is standing up to Netanyahu and his coalition.

### **Ross Thinks Clinton's Mideast Policy Will Fail**

May 27 (EIRNS)—Dennis Ross, the U.S. Secretary of State's special advisor on Iran, in a book written before he joined the Obama Administration, asserted that making the Palestinian-Israeli peace process the key to a successful broader Middle East policy will fail. Ross was head of the Washington Institute for the Near East, the think tank most associated with the right-wing American Israel Public Affairs Committee. He is considered an AIPAC agent of influence within the Administration

The book, written with David Makovsky, and entitled *Myths, Illusions, and Peace: Finding a New Direction for America in the Middle East*, is to be published by Viking Press this month. Ross writes: "Of all the policy myths that have kept us from making real progress in the Middle East, one stands out for its impact and longevity: the idea that if only the Palestinian conflict were solved, all other Middle East conflicts would melt away. This is the argument of 'linkage.'"

### **Netanyahu Brings Israel Closer to War with Iran**

May 26 (EIRNS)—Speaking before a Likud parliamentary caucus meeting on May 25, Israeli Prime Minister Benjamin Netanyahu said that Iran is the biggest threat facing Israel. Therefore, in order to get support from the Obama Administration, settlement "outposts" have to be sacrificed. "We are not in regular times. The danger is approaching, and the most dangerous thing is to not recognize the danger on the way...." He added that if Israel does not lead the defense against the Iranian threat and bring in the U.S. and other countries, no one else will.

*Ha'aretz* correspondent Aluf Benn in an article today, warns that, "Netanyahu is bringing Israel closer to war with Iran." He



notes that Iranian President Mahmoud Ahmadinejad had issued a statement May 25, saying discussions on the nuclear issue are over—i.e., Iran does not intend to give up enriching uranium. Benn writes that it would be dangerous to dismiss these statements as made only for internal political consumption, and adds, "A senior source close to the Obama administration has said that the dialogue Obama has offered Iran will come to nothing and that the U.S. will not strike Iran unless something unusual and unexpected happens. If this turns out to be the case, the Netanyahu government may have to decide whether to attack Iran's nuclear installations."

While arguments are made that an Israeli strike against Iran would be too complicated, Benn warns: "There are other possibilities to consider: a war in the north that drags Iran in, or a strike against a valuable target for the Iranian regime, which leads Supreme Leader Ali Khamenei and Ahmadinejad to take action against 'the Zionist regime'. If Iran attacks Israel first ... then Israel's strike against the nuclear installations will be considered self-defense."

Benn writes that it remains to be tested whether, once an attack were launched, the U.S. would shoot down aircraft that flew over U.S.-controlled Iraqi airspace.

No cabinet minister would oppose an attack plan presented by Netanyahu and Defense Minister Ehud Barak. Witness the lack of opposition to the second Lebanon War, Benn writes. He concludes, "The prime minister took another step yesterday toward preparing the general public for the possibility that [war] might break out."

In building up a threatening atmosphere, the Israeli government is said to have drafted a report claiming that Venezuela and Bolivia are supplying Iran with uranium. There is reportedly no evidence presented, except that relations between Iran and Venezuela have improved. The report was allegedly written by the Foreign Ministry, for Deputy Foreign Minister Danny Ayalon, who is heading for South America next week to attend the Organization of American States Conference in Honduras. Foreign Minister Avigdor Lieberman called on the international community to deal with the Iranian and North Korean nuclear threat with an "iron fist."

## **High-Level U.S. Officials in Lebanon Prior to Elections**

PARIS, May 28 (EIRNS)—In the last days prior to the June 7 Lebanese elections, five high-level American officials have taken the road to Lebanon: Jeffrey Feltman, Acting Assistant Secretary of State for Near East Affairs; David Hale, Acting Deputy Assistant Secretary of State for Near East Affairs; Secretary of State Hillary Clinton; Commander of the U.S. Central Command Gen. David Petraeus; and Vice President Joseph Biden.

Lebanese opposition forces say that the evaluation in Washington is that the election victory of the opposition—Gen. (ret.) Michel Aoun's CPL, Sheikh Hassan Nasrallah's Hezbollah, and Nabih Berry's Amal—is considered as a done deal, but they would like to reduce it as much as possible and to negotiate a deal concerning the upcoming government.

In an article in the French-language paper *l'Orient le Jour*, Scarlett Haddad quotes an opposition source saying that the United States would like to have a say in determining who will be the Defense and Interior ministers in the upcoming government. "Joseph Biden stated openly that the position of the Administration will depend on the policies of the government that will rule after the elections," reports that source. What that means, is that "the victory of the opposition is already envisaged and would not provoke a hostile attitude from the American administration, if the government which will be formed responds to American expectations."

The same source believes that the Americans have asked already that the security portfolios, especially that of Defense and of the Interior, be granted to personalities close to them, or at any rate, not belonging to the opposition. Apparently the U.S. attaches great importance to the role that the Lebanese Army will play in the coming period. That is the reason why the Lebanese Defense Minister made a visit to Washington, followed by the Army Chef of Staff. Further, while the American

Vice President was in Beirut, he gave a speech to the Army, whose aim, according to opposition circles, was to influence Christians who are still undecided, who represent 7-10% of the voters of that community and who are generally favorable to the Army. They could be impressed by the promise of American aid. The question, according to those circles, "is to find out what types of weapons the U.S. would furnish to the Army and to what missions they would be deployed."

The same opposition circles, continues Haddad, report that this U.S. deployment is "worrying the Syrian and Iranian authorities, who wonder if all that 'care' is not aimed at controlling the Lebanese Army and pushing it to confront the Hezbollah, or at any rate, to change its ideology."

## Asia News Digest

### Beijing Clings to Export Addiction

### U.K.-based Group Blamed for Attack on Uzbek Security

### U.S. To Broaden Anti-Opium Campaign in Afghanistan's Helmand Province

### North Korea Threatens Strikes; Disavows Armistice

#### Beijing Clings to Export Addiction

May 29 (EIRNS)—The Chinese State Council announced that Beijing is going to try to save China's "world market share," and will take even more measures to support the collapsing export sector. At a May 27 meeting of the cabinet executive, led by Prime Minister Wen Jiabao, the government announced a host of measures which will, in reality, only plunge China further down the black hole of globalization. The State Council statement said that, "At present and for a certain period in the future, shrinking external demand and the resulting decrease in exports will remain our biggest difficulty for economic growth."

Yesterday in Washington, former IMF China division head Eswar Prasad admitted that the Chinese and U.S. economies are in a "death embrace." Speaking at a Brookings Institute forum, Prasad said that China "desperately needs" to export the products of its industrial "excess capacity" to someone, and since the EU and Japan are in no shape to buy them, the only hope is the U.S.—which itself is "devastated."

The new measures from the State Council will include tax support, \$84 billion worth of short-term export credit insurance, \$10 billion worth of credit to foreign purchasers (Chinese firms have been hit not only with evaporating orders, but a sharp increase in payment defaults by U.S. and other importers.) The government will also provide financial support for smaller enterprises, and take measures to ensure that the exchange rate of the yuan is kept stable, to keep exports "competitive." The tax breaks will benefit both labor-intensive and high-tech industries, which have been losing their shirts as exports continued to collapse over the past six months.

The Chinese steel industry is also on the chopping block. Steel exports have fallen so sharply in 2009 that they could be overtaken by imports, Luo Binsheng, vice chairman of the China Iron and Steel Association (CISA), said May 25. Crude steel exports were down by 49.7% in the first four months from a year ago, to 6.97 million tons, while imports were up 10% to 6.73 million tons. Imports were bigger than exports in March and April. So far, the Chinese government has continued to subsidize the steel industry to prevent a collapse of output, according to Xu Lejiang, head of the biggest producer, Baosteel.

## **U.K.-based Group Blamed for Attack on Uzbek Security**

May 26 (EIRNS)—Uzbekistan's President Islam Karimov has blamed the Britain-headquartered and banned Wahhabite Islamic group, Hizb-ut-Tahrir (HT), for the violent confrontation the May 23-24 weekend, between the militants and the Uzbek security forces, that killed at least 47 people.

According to Uzbek Prosecutor General Rashid Kadyrov, the dead included 33 terrorists, 10 policemen, and 4 civilians. The clash in Khanabad, a major crossing point on Uzbekistan's frontier with Kyrgyzstan, located in the fertile Ferghana Valley, reportedly erupted in the early hours of May 26. A group of heavily-armed militants, numbering perhaps as many as 25, reportedly attacked the local police headquarters, the border checkpoint and besieged the local office of the State Security Service (SNB).

The militants reportedly used rocket-propelled grenades in their attack. Residents on the Kyrgyz side reported hearing a powerful explosion at about 2 a.m. It is most likely that the militants were armed members of the Islamic Movement of Uzbekistan (IMU), a terrorist group recruited exclusively from the white-robed Koran-waving HT Wahhabites funded by the Saudis. According to Gretchen Peters, author of the book *Seeds of Terror*, IMU, founded in the Ferghana Valley, became partners with the Taliban in the heroin trade back in the late 1990s.

Peters claims the IMU carries heroin from Afghanistan through Tajikistan into Russia. Some observers see a likely link between the Khanabad firefight and the anti-Taliban offensive being carried out in Pakistan. After getting tics start in Uzbekistan, Tajikistan, and Kyrgyzstan in the early 2000s, IMU, along with other Central Asian militants, drifted to safe havens in Pakistan's tribal areas. Now those Pakistani sanctuaries are becoming less secure. Pakistani troops have pressed an offensive in the Swat Valley that has pushed the Taliban back on their heels, and there is a widespread expectation that the government will soon expand its security sweep in the terrorist-infested region of Waziristan.

Under increasing pressure in Pakistan, Central Asian militants may be opting to return home, reviving the idea of fomenting an insurgency in Central Asia.

## **U.S. To Broaden Anti-Opium Campaign in Afghanistan's Helmand Province**

May 28 (EIRNS)—Following a highly successful military operation in Marja in Helmand province, U.S. troops are gearing up to concentrate efforts in the province, which produced almost 57% of Afghanistan's 7,700 tons of opium last year. The Marja operation helped to destroy 92 tons of opium and dislodge the Taliban from that area. According to an unnamed U.S. military official, the raid in Marja is the best that can be done at this time, because too few forces are available to secure all of the territory in southern Afghanistan.

"Until the additional troops are available, search and destroy operations like the one in Marja, are the best we can do," the officer said. "The operation succeeded in its limited objective, and that command center needed to be taken out, but we won't make serious headway in the South until we can hold the ground in places like Marja."

This Summer, the U.S. will send an additional 17,000 troops to help stabilize the deteriorating security situation in Afghanistan. More than 8,000 Marines and 9,000 soldiers will be deployed, mostly to the eastern and southern provinces, where the Taliban control wide swaths of territory.

The fighting in Helmand is expected to intensify as the 2nd Marine Expeditionary Brigade deploy there; they will also be operating in neighboring Farah province. The Marines have established two bases, Camp Dwyer and Camp Leatherneck, to support operations in the south.

## North Korea Threatens Strikes; Disavows Armistice

May 27 (EIRNS)—Asian tensions continued to rise as North Korea indicated that "the Korean People's Army will not be bound to the [1953 Korean War] Armistice Agreement any longer," and threatened to launch military strikes against South Korea if any of its ships were stopped or searched as part of South Korea's adherence to the Proliferation Security Initiative (PSI).

The PSI, which was set up in 2003 by then U.S. UN representative, John Bolton, is a naval agreement that promotes the searching of ships at sea for "banned weapons of mass destruction" in order to prevent nuclear proliferation. Up until North Korea's nuclear test, South Korea had expressed agreement with the goals of the PSI, but had not become a full member.

South Korean military authorities believe there is a possibility that incidents could occur near the Northern Limit Line (NLL) in the West Sea. The NLL, drawn up at the end of the 1950-53 Korean War, has served as the de facto inter-Korean sea border. Two bloody naval battles between North and South occurred in the area in 1999 and 2002.

The South Korean newspaper *Chosun Ilbo* reported that American spy satellites had detected plumes of steam and other signs of activity at a North Korean plant that reprocesses spent nuclear fuel to make weapons-grade plutonium.

In a partial step-back from the provocative rhetoric that has marked the response to the North Korean test, South Korean President Lee Myung Bak ordered his government to take "calm" measures on the threats, his office said in a statement today. Japan's Chief Cabinet Secretary, Takeo Kawamura, echoed those remarks, and called on North Korea to "refrain from taking actions that would elevate tensions in Asia."

The Singapore *Straits Times* editorialized that "the world has to face up to the inescapable conclusion that North Korea's nuclear-state status is all but certified. The world just has to get used to it—or deal with it."

## Africa News Digest

### Will Brutish-Run Terrorists Control the Horn of Africa?

### How Will South Africa Deal with Global Financial Blowout?

#### Will Brutish-Run Terrorists Control the Horn of Africa?

May 30 (EIRNS)—Somali President Sharif Ahmed charged May 25 that radical Islamic jihadist terrorists and their trainers have been deployed into Somalia at an accelerating rate over the last few weeks, to bolster the al-Shabab jihadist militia in its plans to overthrow the moderate Islamic government. The jihadists are operating according to a British imperialist scenario that would turn Somalia into a platform for the destabilization of other African countries.

Ahmed charged that jihadists from Afghanistan and Pakistan have come to Somalia, as well as other countries. Jihadists from Saudi Arabia have also been reported.

Regional press in Somalia reported yesterday that 2,000 jihadists in Somalia will have soon finished their training, and will be under command of al-Shabab leaders. Nearly 300 training camps and bases were established by al-Shabab in late 2008,

as it became clear that the Ethiopian military was going to leave Somalia. The training involved instruction in how to use IED bombs triggered by cell phones, and suicide car bombs.

A suicide car bomb exploded at a military camp in Mogadishu on May 24, which Somalis take as a signal that foreign support is coming to al-Shabab. The group's supporters vow that soon al-Shabab will not only soon control all of southern Somalia, but the whole Horn of Africa. Since the car bomb, and an attack on the Presidential palace, thousands more Mogadishu residents are fleeing the city into near-desert conditions in the countryside, where food supplies are non-existent.

Al-Shabab began its offensive May 8. The provisional government cannot break out of the pockets it controls—a few streets, the Presidential palace, the port, and the airport, in Mogadishu. And al-Shabab cannot dislodge them, because the government is supported by the African Union peacekeepers. President Ahmed was joined in his call for aid to shut down the foreign input to the jihadists by the Intergovernmental Authority on Development (IGAD), a regional grouping, by the African Union, and by the UN representative to Somalia. Last week, the UN Security Council also agreed to extend the mandate of the UN peacekeeping force in Somalia until the end of the year.

## **How Will South Africa Deal with Global Financial Blowout?**

June 1 (EIRNS)—Africa's economic powerhouse, South Africa, is being hit hard by the bankruptcy of the globalized monetary system. South Africa is in recession for the first time since 1992, according to the London *Financial Times* May 27, when it was still under apartheid rule. The *Financial Times* reported that the first three months of this year showed a larger than expected 6.4% decline in gross national product. This follows a 1.8% decline in the previous quarter.

Despite the global collapse, South Africa's recently appointed Trade and Industry Minister, Dr. Rob Davies, said that he is determined to move industrialization forward. "I would regard any further significant de-industrialization under my watch, even if it is not of our own causing, as indicating that we have not succeeded," he said in a interview published in [engineeringnews.co.za](http://engineeringnews.co.za) May 29.

Davies was named to his position by President Jacob Zuma May 10, the day after Zuma was sworn in as President. Zuma was elected in April, with the support of the South African Communist Party-allied Cosatu trade union. Zuma is under considerable pressure from this political base to alleviate poverty. Davies is a South African Communist Party member who was in the African National Congress (ANC) during the anti-apartheid struggle, and which now rules South Africa.

Davies has indicated he may use tariffs to protect industry and jobs, "when there is evidence that it could help." He added: "So, if, on an evidence-based approach, we reach the conclusion that we need to raise some tariffs, we must have the courage to do that." He also said he would fight for a much higher component of local production as part of South African infrastructure-building plans, and that he is very interested in promoting South-South cooperation with other developing countries.

Because of the global collapse, South Africa is working against big odds. the South African Revenue Service said May 29 that the country's trade widened to R1.465 billion in April, from R512 million in March. For April, exports fell 21.76%, mainly due to reduced precious metals exports.

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