

[return to home page](#)

[This Week You Need to Know:](#)

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[by Helga Zepp-LaRouche](#)

The time has now come, when Germany must unilaterally withdraw from the Maastricht Treaty and the European Monetary Union and return to the deutschemark as its national currency, in order to be able to realize a well-defined growth policy. The Stability and Growth Law of 1967 must be activated through a state investment program for productive full employment, in order to overcome the total economic disequilibrium, which there has undoubtedly been, in view of an unemployment level that is in reality around 9 million people.

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InDepth Coverage

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International:

[**Time for Germany To Assert Its Sovereignty, or Perish**](#)
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[**Oskar Lafontaine: An Aging Bankers' Boy?**](#)
[by Elke Fimmen](#)

Before entering into a review of the new book by Oskar Lafontaine, *Politics for All: A Polemical Treatise for a Just Society*, which is designed to serve as a manifesto for the new synthetic 'left party' in Germany, I'll make some more general remarks to set the context. First, it is funny to remember, that Lafontaine's book written in 1997, with his wife Christa Müller, had the title *Do Not Be Afraid of Globalization: Jobs and Wealth for All*. He really offers something for everybody, it seems. Maybe Oskar can be best considered a salesman—for those ideologies, which synarchist bankers deem useful at times to be spread among the credulous public.

Left Party To Counter Zepp-LaRouche Campaign

by Rainer Apel

It happened before: During the Summer of 2004, the LaRouche Youth Movement, within a few weeks after its first Monday Rally in Leipzig on July 12, managed to mobilize citizens in more than 200 German cities to participate in a campaign to replace austerity policy by an investment and job creation program. Then, in early August, many of the leftist and ecologist groups, ranging from the ATTAC umbrella group to Trotskyists, were awakened from their Summersleep and all of a sudden discovered that they had to act to contain the LaRouche role in these Monday rallies.

Underlying Brazil's Corruption Scandal: A Drive for a Coup?

by Gretchen Small

Think, for moment, about Brazil as if you were part of the international financial oligarchy: Your financial system, globally, is crashing, and American statesman Lyndon LaRouche, who has prepared for this crisis for decades, as the opportunity to revive your deadliest enemy, the American System of Economics, is playing a leading role within the U.S. Democratic Party, and gaining strength in the increasingly active 'Eisenhower wing' of the Republican Party, too. Forces in Europe are rallying under the same banner. The Italian Parliament has adopted a resolution calling upon its government to organize for an international conference on the way out of this crisis (along the lines of LaRouche's New Bretton Woods proposal), and now LaRouche's wife, Helga Zepp-LaRouche, has launched an aggressive campaign for the Chancellorship of Germany on a New Bretton Woods program. Representatives of the Eurasian giants (Russia, India, and China) just held a closed-door strategy session in Berlin with LaRouche and representatives of other Asian and European nations.

Foreign Hands Behind Philippine Collapse

by Mike Billington

Philippine President Gloria Macapagal Arroyo may soon be out of office, but the crisis ripping apart the economic and social fabric of Philippine society will not be solved simply by 'regime change.' The crisis in the Philippines is occurring in the context of the systemic collapse of the dollar-based global monetary-financial system, and in the midst of a political showdown in Washington between the rapidly unravelling Bush/Cheney regime and an emerging bipartisan alliance, centered in the U.S. Senate, attempting to return the United States to the 'American-system' policies associated with Franklin D. Roosevelt, and promoted today by Democrat Lyndon LaRouche.

Central Asia Battle Lines Being Drawn

by Ramtanu Maitra

Buried in the news of the July 7 London bombings, and a tepid G-8 Summit in Gleneagles, Scotland, was another summit that took place in Astana, Kazakstan, on July 5-6. Heads of state representing six nations—Russia, China, Kazakstan, Kyrgyzstan, Tajikistan, and Uzbekistan—and the Shanghai Cooperation Organization (SCO), drew the battle lines in Central Asia urging the United States to announce a timeframe to fold up its military bases in Central Asia.

The U.S. Removes The Nuclear Brakes

by Reuven Pedatzur

Dr. Pedatzur is a lecturer at the Department of Political Science at Tel Aviv University, and a defense analyst for the Israeli daily Ha'aretz. He offered this article as a contribution to EIR's June 28-29 Berlin seminar. It was first published in the June 26 issue of Ha'aretz.

Under the cloak of secrecy imparted by use of military code names, the American administration has been taking a big— and dangerous—step that will lead to the transformation of the nuclear bomb into a legitimate weapon for waging war.

Investigation:

LaRouche Lays Out Parameters For Probe of London Bombings

by Jeffrey Steinberg

On Jan. 11, 2000, the editors of EIR delivered a memorandum to then-Secretary of State Madeleine Albright, with copies delivered to other Clinton Administration Cabinet officials and leading members of the U.S. House of Representatives and U.S. Senate. The memorandum posed the question: Should Great Britain be placed on the list of states sponsoring terrorism?

- ***From EIR's Archives***

Put Britain on List Of Terrorist Sponsors

The following memorandum, dated Jan. 11, 2000, was prepared for delivery to then-U.S. Secretary of State Madeleine Albright. It is a request to launch an investigation, pursuant to placing Great Britain on the list of states sponsoring terrorism.

Economics:

THE LOUDOUN COUNTY REAL ESTATE BUBBLE

A Case Study in How The World Went to Hell

by L. Wolfe

Loudoun County, Virginia, was once a quiet agricultural area, dotted with family farms and expensive estates, nestled some 50 miles from Washington, D.C., and known primarily as the center of Northern Virginia's 'Hunt Country.' Today, most of estates and the oligarchs who inhabit them are still there, but many of the farms have given way for some of the wildest real estate speculation in the nation. In this brief report, we shall describe this bubble, and show how the bubble and the bubble 'mentality' has grabbed hold of an area, driving it insane.

U.S. Economy Borrows \$4.45 To Buy a Dollar

by John Hoefle

Imagine a business which buys dollar bills; it's quite successful, buying lots of dollars, more every year. The management is so proud of its success that it issues press releases touting its record revenues. The only problem, is that the business is paying more than a dollar for every dollar it buys. At last count, it was paying \$4.45 for each one. The old joke aside— about losing money on every transaction and making it up in volume—this business is going bankrupt, fast.

National:

White House Iraq 'Plumbers Unit' Behind Plame Leak

by Jeffrey Steinberg

On Jan. 22, 2004, just three weeks after his appointment, independent counsel Patrick Fitzgerald issued a wide-ranging subpoena to the Bush White House, demanding telephone records from Air Force One, and all documents pertaining to the July 2003 activities of a little-known but high-powered Administration unit called the White House Iraq Group (WHIG). Fitzgerald was charged with investigating the leak by 'two senior Administration officials' of the identity of CIA 'non-official cover' officer Valerie Plame, the wife of former Ambassador Joseph Wilson IV. Wilson had been sent by the CIA to Niger in February 2002 on a fact-finding mission, to determine the credibility of reports that Iraq had been seeking large quantities of 'yellowcake' uranium from the African state, for the purpose of building a nuclear bomb. The 'Plame Affair' now threatens to bring down the Bush-Cheney Administration, and, while recent media attention has been largely focussed on Deputy White House Chief of Staff Karl Rove, and his role in the 'outing' of Valerie Plame to syndicated columnist Robert Novak in July 2003, a far more fruitful line of inquiry actually centers on the WHIG as a whole, of which Rove was a member.

Rumsfeld's Military Base Shutdowns Are Becoming a Constitutional Issue

by Carl Osgood

A political shift has been occurring from the last part of June into the early part of July, in the battle over Secretary of Defense Donald Rumsfeld's base-closing plan. That shift has moved the fight to save bases from a strategy of 'begging and pleading' to save particular bases, to one of challenging the Pentagon plan on the basis of law and the U.S. Constitution.

- **Vets Need 'Time Out' From CARES Cutbacks**

by Patricia Salisbury

After surveying the wreckage of health care in his state, and around the country, Pennsylvania State Rep. Harold James (D-Philadelphia) on June 27 called for a national 'time out' for all cutbacks in health-care services, and an expansion in hospitals, clinics, public health staff, and nursing homes (see EIR, July 8). James was addressing the tendency of public officials to fall into the trap of 'adjusting' to the Bush Administration cuts in Medicaid and other health-care services, by agonizing about a nonexistent, least painful way of implementing

cuts.

GOP Can't Escape Bush's Social Security Quagmire

by Paul Gallagher

House of Representatives Republican 'whip' Roy Blunt of Missouri and Ways and Means Committee Chairman Bill Thomas (R-Calif.) admitted publicly on July 13, that they won't be able to try to move George W. Bush's Social Security privatization schemes in the House until at least September. The postponement doesn't mean the threat of privatization is killed, but is another step in that necessary direction.

Ohio Funding Scandal Points to Cheney-Rove

by Richard Freeman

In an escalation of the Ohio state investment fund scandal, linked to potentially illegal financing of the theft of the 2004 Presidential election, the Ohio Bureau of Workers' Compensation (OBWC) announced yet another major loss on July 7: Allegiant Asset Management (until last month, known as National City Investment Management Company), a division of the National City Bank of Columbus, had recorded a loss of \$71 million of the \$250 million of OBWC funds that it had been entrusted with managing in 2001. This brings to more than \$300 million the amount of Bureau funds that have been lost or are 'unaccounted for.'

Berlin Seminar:

View From Berlin:

The Coming Crash of the World System

At EIR's Berlin seminar on June 28-29, Lyndon LaRouche gave a sober strategic briefing to distinguished representatives of 15 nations, on the need for revolutionary change to prevent the disintegration of the world economy. 'The most immediate danger to world peace and stability,' he warned, 'would be the admittedly existing potentiality, that the government of the United States would refuse to take certain sudden and sweeping emergency measures, which are now in fact, absolutely necessary actions of the immediate future, if we are to prevent the entire planet from being plunged into a chain-reaction form of monetary-financial and economic breakdown crisis, by a sudden collapse in the value of the dollar-denominated assets worldwide.

- **Dr. Ding Dou**

Political Economy of Renminbi Revaluation

Dr. Ding Dou is from the School of International Studies at Beijing University. He presented this paper to EIR's Berlin seminar on June 28.

- **Lyndon H. LaRouche, Jr.**

Economic Foundations of A Peace of Westphalia

Lyndon LaRouche made these remarks on June 28, during the discussion following the presentations of Dr. Sergei Glazyev of Russia [published in last week's EIR], Dr. Ding Dou of China, and Gen. Assir Karim of India.

- **Maj. Gen. Afsir Karim (ret.)**

An Indian Perspective On Central Asia

General Karim is the editor of the Indian strategic magazine Aakrosh, and was formerly the editor of the Indian Defence Review. He was a member of India's National Security Advisory Board (1999-2001), and was awarded the AVSM award for valor by the Indian government for his military service.

- **Dr. Song Hong**

China's Role in The World Economy

Dr. Song is a senior research fellow at the Chinese Academy of Social Sciences, Institute of World Economics and Politics. E-mail: songhong@cass.org.cn.

- **Lyndon H. LaRouche, Jr.**

It's Time To Dump 'Brand X' Economics

During the discussion following Dr. Song Hong's contribution, moderator Jonathan Tennenbaum asked Mr. LaRouche to comment

further on the effects of globalization.

Editorial:

End Globalization, the New Feudalism!

It is almost impossible to exaggerate the evil, and danger to mankind, which is represented by the phenomenon most people today accept under the name of 'globalization.' If globalization is not stopped in the immediate period ahead, we will find our planet returned to a new feudalism, global serfdom, and a New Dark Age.

U.S. Economic/Financial News

Senior SEC Official Warns of Hedge Fund Danger

The U.S. Securities and Exchange Commission is carefully watching the massive amount of leverage, or borrowed money, hedge funds are using to magnify returns on bets, a senior SEC official said July 12. "We have potential huge bets being made, and if they are wrong, we have a serious domino effect," Roel C Campos, SEC commissioner, told a Managed Funds Association symposium held in London. Some funds borrow two to three times their capital, he said.

Yet, he insisted on opposing regulation. "I do not advocate our agency establishing some regulation over leverage," he said.

Magazine Highlights 13 'Riskiest Housing Markets'

Kiplinger's Personal Finance magazine announced July 13 that it has produced a study highlighting what it called the 13 "riskiest housing markets" in the U.S., citing speculation-driven price growth and job losses, in its forthcoming August issue. Nationwide, the median price of an existing home has sharply risen 10% in the past year; 37 areas saw prices jump by at least 15%.

Nearly one-fourth of home purchases over the past year were speculative investments, which are concentrated in a few local areas. Speculators, the article notes, are quick to sell at any hint of a drop in prices.

Boston leads the threatened pack, with a 53% chance that housing prices will fall over the next two years. The city has lost 200,000 jobs since 2000, while housing prices remain high, with a median home price of \$398,000. In California, a bursting bubble is looming for Los Angeles, San Francisco and Sacramento, where 40% risks of decline are forecasted. Also on the riskiest list are Providence; Detroit; New York; Minneapolis-St. Paul; Denver; Washington; Fort Lauderdale; Miami; and Tampa-St. Petersburg. The list was based on private mortgage insurance company PMI Group's index of risk.

General Motors Forced To Help Its Supplier

Itself facing bankruptcy, the world's largest automaker, General Motors, has agreed to keep buying car parts from bankrupt Tower Automotive, and will pay at least part of what it owes the world's largest maker of vehicle frames. GM also agreed to buy some of Tower's assets, under agreement filed in U.S. Bankruptcy Court in New York. Five days earlier, bankrupt Collins & Aikman won approval for a \$82.5-million loan from automakers including GM, and received approval to increase prices by 15%.

Michigan Tool-and-Die Firms 'Under Siege'

Michigan's estimated 1,300 tool-and-die shops are so threatened by the blowout of the auto industry that the State Legislature has offered extraordinary help. Under a revision of state legislation passed last year, Michigan now grants sweeping tax relief to tool-and-die companies which are located in a so-called "Renaissance Recovery Zone," have fewer than 50 employees, and agree to collaborate with other small machine-tool firms. Shop owners warn that they would go out of business without state intervention.

"Our business is under siege," declared the president of Direct Tooling Group, a manufacturer of sheet metal stamping dies, primarily for the auto industry.

Commercial Banks Are Top Holders of Junk

The top underwriters of junk bonds used to be boutique Wall Street firms and brokerage companies, but now the big commercial banks are the kings of risky high-yield corporate securities, according to a report in the *Wall Street Journal* on July 14. Bank of America's Banc of America Securities was the top underwriter of speculative-grade-rated debt in the first half of the year, followed by JP Morgan Chase. Some \$49.6 billion of new junk bonds were issued in the first six months of 2005.

Globalization Killing Asparagus Growers

The closing of the last remaining asparagus canning plant in Washington State, reported July 11, effectively ends the state's once-thriving processed asparagus industry, devastated by free-trade/globalization insanity. Worse, ripple effects likely will hit the nation's entire fresh asparagus industry in 2006, as growers scramble to find a new market for their crops, warns Alan Schreiber, executive director of the Washington Asparagus Commission. Last year, Seneca Foods Corp. announced the permanent closing of its plant in Dayton—a facility which processed as much as half of the entire U.S. harvest in 2005.

Already, Del Monte Foods shut down its plant in 2003. In what one asparagus grower has called a "disaster waiting to happen," growers who had contracts with Seneca now likely will be forced to risk prices that would not cover the costs of production.

Washington, the nation's second-biggest producer of asparagus behind California, has seen harvests tumble by about 60% since 1991, when a Federal law exempted certain agricultural imports from tariffs, including asparagus. The state had a record-high 32,000 acres producing asparagus in 1991, before passage of the Andean Trade Preference Act, but just 12,500 acres remained at the beginning of 2005—and could fall by another 2,500 acres by next year.

U.S. Trade Deficit Hit \$55 Billion in May

The U.S. imported \$162.2 billion in goods and services in May, while exporting \$106.9 billion, yielding a deficit of \$55.3 billion, according to the report by the U.S. Department of Commerce issued July 13. That figure was down \$1.6 billion from April, but up \$6.6 billion from a year earlier. Through May, the trade deficit is running at an annualized rate of \$682 billion, 10% higher than last year's record deficit of \$617.6 billion.

Democrat Exposes Fraud of 'Recovery' Claim

Chiding the Bush Administration's "spinning" of the newly revised deficit numbers as a positive boon to a 'turnaround' in the economy, Democratic Whip Rep. Steny Hoyer (Md) issued a press release on July 13 entitled, "We Are Not on the

Road to Recovery, We Are on a Crash Course with Fiscal Disaster." The key points he made were:

* "This year's deficit will still be the third highest ever" in U.S. history.

* "The White House masks the true size of the deficit by using the Social Security surplus (\$173 billion in 2005)." This Hoyer hits for Republicans' failed promise not to spend the surplus—which by law they are not supposed to do anyway—and then rebukes their "shell game" to "use the Social Security surplus to privatize the program rather than pay for the guaranteed benefits already promised to retirees. If that Republican scheme was enacted it would increase the deficit by \$1.1 trillion over the next ten years."

* "It should also anger every American that interest on the debt is the fastest-growing area of spending," and that more money will be spent on paying interest on debt over ten years than on "providing health care through the Medicaid program...."

Some Republicans are not buying Bush's spin of the numbers. Senator Jim DeMint (SC) called the deficit numbers "misleading" because "Congress is raiding Social Security to mask the true size of the deficit," which he reportedly says is closer to \$400 billion than to the \$333 billion Bush's OMB claims.

World Economic News

London Stock Exchange Enacted Emergency Measures

According to reports now emerging in the British and German media, the London Stock Exchange enacted unprecedented emergency measures on July 7, after the London bombings. When the London stock index FTSE 100 had crashed by 207 points, the London Stock Exchange (LSE) declared a so-called "fast market," an emergency measure that had not been used in the last decade, not even following Sept. 11, 2001. The "fast market" declaration means that investment banks have to shut down their "black box" computerized trading systems, by which trades are triggered without human intervention. All such automatic trading was turned off between 11:25 and 3:15 on July 7.

The other measure included in the "fast market" emergency clause allows the so-called "market makers" at the exchange to announce buying and selling prices for any stock at any time. An LSE spokesman stated: "We believe that the declaration of the fast market helped to ensure the continuation of an orderly market during a period of unusually high volumes and large market movements." In spite of the restrictions, turnover at the LSE on July 7 reached an all-time high of 361,276 trades, compared to the previous record of 310,943 trades set in March. A total of 4.75 billion stocks were traded.

European Central Bank Official Warns of U.S. CAD Unwinding

European Central Bank board member Jose Manuel Gonzalez-Paramo cautioned of a risk of a disruptive correction of the U.S. current account deficit, saying the shortfall poses an undesirable risk to global financial stability. His statement was covered by *AFX News* on July 14. "Global imbalances have widened, and disruptive unwinding remains a possibility," he said in a speech at a forum in Kuala Lumpur.

United States News Digest

Graham: Congress Should Make Detainee Policy

Senator Lindsay Graham (R-N.C.), the chairman of the Personnel Subcommittee of the Senate Armed Services Committee, during a hearing on July 14 noted that Article 1, Section 8 of the Constitution gives Congress, not the Executive, the authority to make rules regarding enemy captures, and added that Congress should give that guidance. The hearing was held in order to hear from the Pentagon's top legal officers, and one of the recurring themes of the hearing was that the Guantanamo prison has been operating without statutory guidance and without even a legal definition of "enemy combatant," with the result being that legal challenges to the Pentagon policy regarding interrogation and disposition of the detainees have tied up the planned military tribunals for an indefinite period of time. Graham demanded to know from the witnesses whether or not such statutory action by Congress would clear the situation up. Daniel Dell'Orto, the Defense Department (DOD) principal deputy general counsel, answered that "the current framework gives us the ability to prosecute the war on terror, and new legislation is not necessary," an answer which, not surprisingly, left Graham unsatisfied.

Graham got a second chance to ask questions, after Sen. Ted Kennedy (D-Mass) had grilled the witnesses, who included the top military lawyers for each of the services, on whether or not they objected to a DOD directive issued by General Counsel William Haynes, subordinating detainee interrogation policy to the infamous torture memos issued by the Department of Justice in early 2003, memos which the Armed Services Committee still doesn't have in its possession. "DOD was second to DOJ," Graham said, "and that was your problem, and if they (meaning the policymakers in the Pentagon) had listened to you at the outset we wouldn't have these problems."

Sweeney Working To Prevent AFL-CIO Split

AFL-CIO president John Sweeney is attempting to prevent a threatened split in the Federation in the period leading up to the AFL-CIO national meeting scheduled for late July. Sweeney told AP in an interview that he pledged to offer "strong proposals for change," to avoid losing five unions that have formed a dissident coalition within the Federation called the Change to Win Coalition. The dissident unions are the Teamsters, the Service Employees International Union, the United Food and Commercial Workers, Unite Here, and Laborers' International Union. The Carpenters' Union, which is no longer part of the AFL-CIO, joined the coalition in late June. The coalition represents more than 5 million of the Federation's nearly 13 million members.

The dissidents have proposed: 1) 50% of dues to the AFL-CIO be returned to unions to spend on organizing; 2) unions within the same industry be consolidated to increase their clout; 3) the Federation play a more aggressive role in setting standards for contract settlements; and 4) the Federation make changes in the way the AFL-CIO is governed.

Sweeney is trying to bridge differences, including how much money is made available for organizing, and whether unions representing workers in the same industries can be encouraged to merge. Last week, top leaders of the AFL-CIO agreed on a plan to give the Federation more power to ensure all unions are honoring industry standards on pay and benefits. The plan also sets new rules aimed at giving workers more power to organize unions that can take on large industries.

However, Andrew Stern, the president of SEIU and putative spokesman for the opposition group, recently questioned whether Sweeney can make the necessary changes to reverse years of decline in union membership. Gerald McEntee, president of AFSCME, said that Stern's "major demand is that John Sweeney leave, and I don't think that will happen." McEntee questioned whether the AFL-CIO will go along with the request that unions get a 50% rebate on their Federation dues to use for organizing. If Sweeney went along with that, the AFL-CIO would have to shut down its Washington headquarters.

Judge Hands Halliburton a 'Get Out of Jail Free' card

Judge T.S. Ellis on July 12 issued a ruling in a fraud case that could ultimately clear Halliburton of any legal liabilities for

the billions of fraudulent billings issued to the Coalition Provisional Authority in the early stages of "Iraqi reconstruction." Ellis made his ruling on an aspect of the False Claims Act, an act that offers protection to insider "whistle-blowers" who have the courage to come forward and charge a corporation with foul play. The case at issue involves the company Custer Battles, which won hundreds of millions of dollars in contracts for "security and logistical contracts" in "postwar" Iraq. Former employees have charged that the company engaged in false billings, using shell companies to overcharge for work never done. Ellis' ruling specifically limits the reach of the False Claims Act, by requiring that, for whistleblowers' charges to be prosecutable, the companies, while working overseas, must have been paid with American (taxpayer) money.

The loophole, large enough for Halliburton to fit through, is that the majority of the compensation for Iraqi contractors *was done with Iraqi money*. While Ellis' ruling will allow the particular case to go forward, the long-term effect on pending cases is devastating. A lawyer representing the two employees charging fraud by Custer Battles is quoted as saying, "This ruling will significantly limit the ability of the government and whistle-blowers to act against frauds involving Iraqi oil funds. If that's going to be the law, it's a terrible shame."

Judge Ellis sits in the U.S. District Court of Alexandria, Va., the infamous "rocket docket" court system, in which all "CIA-related" cases are heard, and which convicted Lyndon LaRouche and six codefendants in 1988.

Sensenbrenner Introduces Patriot Act Renewal

With the House and Senate disagreeing among themselves, and with Republicans in the House disagreeing among themselves and also with the White House, House Judiciary Committee chairman Rep. James Sensenbrenner (R-Wisc) on July 11 introduced a bill re-authorizing provisions of the so-called Patriot Act which are scheduled to expire at the end of this year. Sensenbrenner reportedly wants to bring it to the House floor next week.

Sensenbrenner's bill does the following:

- * It reauthorizes all 16 provisions of the Patriot Act which would expire on Dec. 31, and eliminates the "sunset" or automatic expiration provisions that were part of the first Patriot Act. The Senate Judiciary Committee, however, is planning to include sunset provisions for some of the re-authorized sections.

- * It extends "pen register" and "trap-and-trace" provisions which lowered the standard for allowing the government to trace outgoing and incoming telephone and Internet communications.

- * It continues the controversial Section 215, pertaining to "business records"—which allows the government to go the Foreign Intelligence Surveillance Act (FISA) Court, and get *ex parte* authorization to obtain a person's financial, travel, even library, records from a third party; Sensenbrenner's bill adds some new restrictions, such as permitting the third party (but not the target) to challenge the government's demands.

According to the *New York Times*, Judiciary Committee Democrats wanted much tougher restrictions, but the Democrats were frozen out of discussions on the new bill.

- * Sensenbrenner's bill does not include the legislation recently approved in a closed session by the Senate Intelligence Committee for expanded use of Administrative Subpoenas, or "National Security Letters," in terrorism cases. This allows the government to obtain third-party financial information or other records without obtaining approval from the FISA Court or from any other court.

Supreme Court Stops Virginia Execution

The Supreme Court granted a stay of execution in the case of Robin Lovitt, a Virginia Death Row inmate, just hours before he was to be put to death July 11. The Court did not give a reason for the stay, but Lovitt stated that he would have been able to prove his innocence if state officials had not destroyed DNA evidence from his case after his trial. The stay, issued by Chief Justice William H. Rehnquist, will remain in place until the full court reconvenes in October. The court will then either hear Lovitt's appeal or allow Virginia to execute him.

Lovitt's case is important because he has a strong claim of innocence, and because the evidence used to convict him, including the murder weapon and DNA evidence, was "accidentally" destroyed after his trial. Lovitt's attorneys maintain that DNA evidence would prove that he is not guilty of the 1998 murder of Clayton Dicks.

The case against Lovitt is described by the Death Penalty Information Center as "weak and circumstantial." According to a recent article in the *Virginian-Pilot*, there were conflicting statements from witnesses; Lovitt's fingerprints were not found on the alleged murder weapon or at the crime scene; and none of the victim's blood was found on Lovitt's clothes. Moreover, the key person linking Lovitt to the crime was a fellow inmate, a "jailhouse snitch," who had testified in several other trials.

Among those fighting the execution is Kenneth W. Starr, the former independent counsel, who is acting as one of Lovitt's attorneys.

Ibero-American News Digest

LYM Exposes 'Wall Street in the Eyes of Colombia'

As U.S. Ambassador to Colombia William Wood was readying himself on July 14 to address the attendees at this year's bankers' seminar, "Colombia in Wall Street's Eyes," organized yearly by the U.S. Council of the Americas, the Colombian National Association of Financial Institutions (ANIF), and Foundation for Development (Fedesarrollo), a member of the LaRouche Youth Movement, Pedro Rubio, Jr., took the microphone, and held up the famous LaRouche in 2004 campaign poster showing Richard Grasso, then head of the New York Stock Exchange, in an embrace with Raul Reyes, a leader of the narcoterrorist FARC, in June 1999.

"As LaRouche has demanded, this alliance of the Wall Street banks with the drug trade, which has destroyed Colombia, must be ended. A new international monetary and financial system must be created, along the lines LaRouche has proposed. This proposal has already been endorsed by the Italian Parliament," Rubio told the 700 attendees, who included the *crème de la crème* of the country's financial elite. While the anguished organizers of the event tried to mobilize their logistics and security staff to throw him out, some applauded his intervention, while most seemed stunned by the unexpected denunciation of the FARC-Wall Street alliance. After the microphone was cut off, Rubio was escorted from the auditorium by a couple of statuesque usherettes.

Ambassador Wood tried not to lose his cool, beginning his address by saying, "I have always liked to be in countries where there is freedom of speech, even when it has not been programmed on the agenda," so that it was clear that he had had nothing to do with the "LaRouche" incident.

The speeches which followed, by New York representatives of JP Morgan, HSBC, and Deutsche Bank, confirmed that the Wall Street/drug-trafficking alliance is still in place. All, like their Colombian counterparts, demanded the most brutal Schachtian austerity to prop up the destroyed international financial system.

IMF Questions Argentina's 'Right' Even To Negotiate

For the first time since its founding, the International Monetary Fund (IMF) applied to Argentina a clause which forces member countries to prove they deserve the right just to begin negotiations for an agreement. On July 13, Argentine officials had to meet for several hours with the IMF executive board and gain its approval for the start of negotiations, with no guarantee that any agreement would even be forthcoming. According to all reports, the discussion was brutal. Italian and Japanese representatives in particular argued that Argentina has made no gesture of conciliation that would qualify it for the Fund's support. The board reportedly only relented grudgingly after the German and U.S. delegates intervened on Argentina's behalf.

Negotiations are to begin soon and will be tense, at best.

What sticks in the IMF's craw, is Argentina's refusal to bow before it. Ten days before the negotiations were to begin, on July 6, Argentina's principal debt negotiator, Secretary of Finances Guillermo Nielsen, told a Buenos Aires seminar on foreign debt organized by *El Cronista* that when Argentina negotiated its debt restructuring agreement with the majority of its bondholders despite IMF opposition, it demonstrated that "there can be life without the IMF, even if that life can be difficult. Countries lift themselves up when they decide to do so," Nielsen said.

It were well the IMF remembered that its mission is to enhance stability. Instead, the IMF irresponsibly extended clearly unsustainable loans right up until Argentina's debt blew out—loans which then left the country as capital flight—and then, immediately changed policy, and cut Argentina off. Then, when Argentina attempted to restructure its debt, the IMF backed the bondholders' demands for greater payments.

The Argentine government, however, from the Presidency, to the economic team and the Congress, held firm in the negotiations, he said. The lesson from this experience, is that "it is not enough to take correct decisions, but it is as important, or more important, even, to have the strength, the emotional resistance in the face of adversity, to stick to the right road."

Peruvian Bishops Warn National Stability at Risk

Speaking in the name of Peru's Catholic Bishops Council, Msgr. Hugo Garaycoa warned on July 6 that the situation in Peru could become uncontrollable if the road blockades, strikes, and protests which are sweeping the country continue unabated. People must accept dialogue as the way to resolve problems, he urged.

"We are worried that the stability of the country is being undermined as the idea of the Nation is lost, and we see ourselves as a political and social conglomerate, in which everyone looks out for their own demands.... The authorities and politicians are not responding adequately to the necessities and demands of our people." The "economic indicators" look good, but "the majority of our people do not see any improvement in their family or social situation," the Bishop remonstrated.

Peru looks very much like its neighbors, Ecuador and Bolivia, whose governments were overthrown in the second quarter of 2005. Strikes and protests have been concentrated in, although not limited to, the south of the country, as farmers, coca growers, transport workers, and others have taken to the streets to protest, variously, the Free Trade Accord which the government is negotiating with the U.S., the government's "labor modernization" plans, the high price of fuels, and coca-eradication efforts. Protesters are blocking roads, leading to food shortages, for example, in the city of Arequipa.

Making Infrastructure a Popular Cause

On Saturday, July 9, the Governor of the state of Sonora, Mexico, Eduardo Bours Castelo, announced before a thousand-plus farmers from the North West Peasant Alliance, that his government is willing to consider helping build the long-planned North West Hydraulic Plan, or PLHINO.

The LaRouche movement has campaigned for the PLHINO for decades, particularly in the recent period. As the worst drought in the state's history has brought the dams in the state down to 10% of their capacity. Using a model and a map built on the basis of the archived project drafted in the 1970s, LaRouche organizers have been organizing businessmen, farmers, students, and others on how linking the PLHINO to the long-planned but equally stalled North American Water and Power Alliance project, known as NAWAPA, is needed to green and develop the entire Great American Desert region.

The head of the industrial organization CANACINTRA from the south of the state (where most of PLHINO's water would go first) recently promised in a joint press conference with LaRouche representative Alberto Vizcarra, that he would organize to get CANACINTRA national backing for the project. The city councils from Ciudad Obregon, Hermosillo and three other cities have passed resolutions urging the long-stalled PLHINO be finally built.

Central America Agrees To Form RDF

Under the auspices of a Central American Presidential summit on integration and cooperation, held June 29-30 in Tegucigalpa, Honduras, a Rumsfeld-style "Regional Deployment Force" (RDF) was agreed upon. The pretext for its creation is the very real problem of the violent "maras," or gangs, which cross borders with impunity. Acceptance of the concept of the RDF—anathema to the principle of a sovereign defense of national interests—sets a dangerous precedent for the entire hemisphere, however.

Attending the summit were the heads of state of the Central American countries, Mexico's Vicente Fox, Colombia's Alvaro Uribe, and Dan Fisk of the U.S. State Department's Western Hemisphere Affairs division, as well as representatives from the Inter-American Development Bank, Organization of American States, and other multinational agencies. The deal for the RDF was struck in the final stages of the two-day summit, under the special impetus of the U.S., whose representative, Fisk, apparently arrived in the late hours of the summit to push the project forward.

According to the joint statement issued at the end of the summit, the Presidents and other delegates agreed to create "a rapid response force that will allow for greater cooperation, flexibility and success in the fight against narcoterrorism and other emerging threats." Said Honduran President Ricardo Maduro, "This resolution basically orders the creation of this force within each country in its first phase; in the second phase, they will be conducting joint operations, and in the third phase, combined operations."

Castaneda Takes Presidential Campaign to Washington

Invited, along with former Canadian Foreign Minister Perrin Beatty, to address the Senate Foreign Relations Committee on U.S. border relations, former Mexican Foreign Affairs Secretary Jorge Castaneda used the occasion to promote his Presidential ambitions where they started: in the United States. Castaneda had been the Anglo-American establishment's candidate of choice until recently, when the PRD's Andres Manuel Lopez Obrador (AMLO) received prominent coverage as the purported frontrunner in the 2006 Presidential elections, and the financial oligarchy made a major move to take over the AMLO candidacy through assets such as former Salinas protégé Manuel Camacho, who has risen as a close aide for AMLO. Castaneda remains a significant Wall Street option, however—as a policy initiator, as a spoiler, and even as a potential "dark horse."

Besides answering questions related to U.S.-Mexico relations, migration, and security, Castaneda emphasized that the

Mexican situation is ripe for his candidacy. He described the population's mood as against everything and everyone; but, he asserted, "an organization with an idea ... can take advantage of such unrest and rejection" of the existing political parties. If not, he warned, "that unrest may be manipulated and used in favor of an authoritarian temptation that always existed in Mexico, or a populist temptation that also always existed in Mexico." "Populism" is the catchword used in Mexico to describe the pro-development policies of José Lopez Portillo and other nationalists.

Western European News Digest

Unemployment in Britain Up for Five Consecutive Months

The number of newly unemployed in Britain has risen for the fifth month in a row, the longest sustained rise since the recession of 1992. The Office for National Statistics said 8,800 more people had signed up for jobseekers' allowances in June, for a total of 864,900, bringing the official unemployment rate to 4.8%. Hardest hit is industry: The manufacturing sector has laid off 81,000 employees in the three months ending in May.

At the same time, figures show a drop of 72,000 in the number of people working, over the three months ending in May. This is the biggest drop in the working population in 12 years. The biggest changes are among people who are under 35 and full-time employed. The number of people classified as economically inactive, including non-working mothers, students, people in early retirement, and those on disability benefits, rose by 125,000 to 7.9 million, a full 20% of the working population.

Meanwhile, industrial workers are getting less overtime and other pay. What remains of Britain's industry is being hit hard by high raw material costs. In May, factory workers' pay, including bonuses, only rose by 1.7%—less than inflation, and down from a purported 3.8% rise in April. In the rest of the private sector, pay rose by 3.9%. But in the big public sector, workers' pay rose by 7.6%.

U.S. Neo-Con Richard Perle Would Vote for France's Nicolas Sarkozy

Richard Perle, one of the neo-cons who conspired to bring about the Iraq war, and later had to resign from the Defense Policy Board because of charges of corruption, told reporters for the French publication *Metro* on July 12 that he would vote for Nicholas Sarkozy, leader of the ruling Union for Popular Movement (UMP) party in France, if he had the right to vote there. Sarkozy, nicknamed "Sarkoleon" for his Napoleon complex, is the leading rival to President Jacques Chirac within the ruling party, and thus the statement signals Perle's dislike of Chirac. Perle, who has a home in France, made those statements while attending a meeting organized by the Circle of Economists at Aix-en-Provence.

Neo-Con Holidays in Southern France

The Circle of Economists held a three-day panel in Aix-en-Provence on July 9-11. Invited speakers included Paul Wolfowitz, new boss of the World Bank, and Richard Perle, the two best-known neo-conservatives of the Bush team. They were scheduled to debate with former Foreign Affairs Minister Hubert Vedrine, a strong critic of U.S. "hyperpower" politics. One can expect they will dive into the swimming pool of Perle's nearby vacation home, where he often meets Jeane Kirkpatrick and Laurent Murawiec, known for being "a perldiver."

France Announces 1.5-Billion-Euro Industrial Policy

What can be said of Prime Minister Dominique de Villepin's recently announced new industrial policy for France, is that

it's not very expensive. De Villepin announced that this money—800 million from the new Agency for Industrial Development, 400 million from the "Caisse des depots et des consignations" (the closest thing today in France to Germany's Kreditanstalt fuer Wiederaufbau), and 300 million from the National Research Agency—will be used to finance high-tech R&D industrial projects of large French companies, operating on a national or international level, along with equal sums to be matched by large industrial entrepreneurs.

The state will contribute to reorganizing French industry into what they call "competitive poles," i.e., Silicon Valley-type organizations bringing together in one area industry, research centers, and universities. Some 67 such poles have been created, among which are the following:

- 1) "Aerospace Valley" in France's Southwest, where 94,000 employees and 8,500 scientists are already working on the aerospace sector, and where a myriad of small and medium-sized high-tech companies have emerged which work together with the very large companies such as Alcatel, Airbus, Dassault;
- 2) "Therapeutic Valley" in Alsace, where investment has heavily concentrated on treating life-threatening diseases such as cancer, Alzheimer's, brain degenerative diseases, etc., with emphasis on medicine and new instruments (nanotechnologies, robots, IRMs). Four top scientists will be deployed there: the president of the Pasteur Institute, a Nobel Prize winner in chemistry, the head of mini-surgery center, and a top specialist on molecular biology.

Angela Merkel's CDU Campaign Platform Backs Budget Cuts

Despite the expected lip-service to "democracy and social market economy," the common program of the Christian Democratic Union/Christian Social Union parties, announced on July 11, lists several policy projects of a CDU-led new government with an unmistakable austerity content:

- 1) Keep the Hartz IV austerity program but "optimize" it; subsidize minimum wages for "simple professions"—but below the average standard income; increase the value-added tax from 16% to 18%, in order to create new subsidies for low-income jobs.
- 2) Reduce subsidies to "old" industries, shift funds into "innovations" which are, however, not specified, except broadband fiber optics telecom.
- 3) Keep and intensify the Maastricht (Monetary) Stability Pact; drive new state borrowings down to zero by 2013, in order to achieve a "balanced budget."
- 4) Improve relations with the U.S.A.; cut Franco-German relations down to size so they lose their special character in Europe; end the "unprincipled Russia and China policy."
- 5) Deploy the armed forces inside Germany for the fight against terrorism.

There is no mention of fusion power; no announcement of new fission power plants; and a stated commitment to only build "one Transrapid line in Germany" (the one in Munich, that is).

Despite the fact that Germany is known best for its high culture, the CDU-CSU does not mention Schiller, nor any other name from the period of the great Weimar Classic.

CDU's Campaign a Likely Loser in Eastern Germany

According to a broad spectrum of German media, among the Christian Democrats in the eastern states of Germany, there is considerable concern about the new budget cuts in the labor sphere that Merkel proposes in the CDU campaign platform. In addition to the negative effects of the increased value-added tax on consumption, there is special concern about the proposal to eliminate commuter rebates. This is a tax rebate given to workers who work at long distances from home, for every kilometer they drive, daily. Especially in the southern regions of Thuringia and Saxony, but also in the western regions of Saxe-Anhalt, Mecklenburg, and Brandenburg, tens of thousands of citizens drive across state borders into the neighboring western states to earn their living.

Average incomes in Germany's eastern states have been in constant decline since the late 1990s: they are at about 63-65% of western German incomes now, and continuing to point downwards.

Eastern CDU politicians have warned that most recent polls, which give the CDU a ranking behind the recently created countergang, WASG, in many eastern regions, indicate that many votes could be lost in the coming early elections. And that is of significance for the national picture. "The Union [CDU—ed.] lost the elections in 1998 and 2002 in the east," Wolfgang Boehmer, Governor of the State of Saxe-Anhalt, said in an interview with the *Sueddeutsche Zeitung* July 14. "This must not be allowed to happen again." Boehmer urged corrections in the CDU platform.

Germany's Power Exchange Sends Rates Skyrocketing

Thanks to an oligopoly of four dominant traders—the four big German power producers—and the assistance of a group of financial investors, electricity prices in Germany were pushed up to an all-time high of 45 euros per megawatt-hour in the second week of July, up from 33 euros at the start of the year. The aluminum and copper producers Norsk Hydro and Norddeutsche Affinerie, as well as other power-intensive industrial corporations, have recently threatened to shift thousands of German industrial jobs abroad if power prices remain at present levels. The federal association of German industries, BDI, warns that up to 1.7 million industrial jobs in Germany are at risk, due to high power prices.

While the European-wide energy deregulation, in which Germany has been a front-runner since 1998, was supposed to lower power prices, the result was exactly the opposite: Electricity prices for private households increased from 13.9 cents per kilowatt-hour in 2000 to 18.7 cents in 2005, prices for industrial customers from 5.1 to 7.3 cents.

One of the instruments to boost electricity prices in Germany is the European Energy Exchange (EEX) in Leipzig. What London's International Petroleum Exchange (IPE) and New York's Mercantile Exchange NEMEX) are for the oil market, Leipzig's EEX is for the German power "market." Its predecessor, the European Energy Exchange (EEX) in Frankfurt, started trading electricity contracts in June 2000. Two years later, the Frankfurt EEX merged with the Leipzig Power Exchange LPX to become the Leipzig-based EEX. Today, the EEX is Europe's largest power exchange. While 90% of electricity in Germany is still traded outside the EEX, the prices of such direct contracts between producers and consumers are being updated regularly according to the prices set at the EEX.

This construction allows the control of German electricity prices by a tiny group of EEX traders.

The latest round of price increases at the EEX was managed by a joint venture of radical free-market and ecologist ideologies: the free trading of carbon dioxide emission rights. Power producers, burning coal or gas, can put as much CO₂ into the atmosphere as they want, but have to cover these emissions by a comparable amount of CO₂ emission rights.

These rights are handed out, in the first place, by the government. The big German power producers receive a fixed amount

of such rights each year for free. And they are allowed to sell these rights to third parties. Since March 2005, the Leipzig EEX has started to trade not only electricity contracts, but CO2 emission rights as well!

Russia and the CIS News Digest

Putin Visits Caspian Security Meeting

On July 14 Russian TV showed President Vladimir Putin on a surprise visit to a conference on Caspian Sea regional security, held onboard the frigate Tatarstan, flagship of the Russian Navy's Caspian Sea flotilla. The other Caspian littoral states were represented at the level of military attaché or consul. Putin had been in Astrakhan, at the mouth of the Volga River, the day before, for talks on regional economic development and upgrading of Caspian Sea transport facilities in the setting of the Eurasian North-South Transportation Corridor from India to Iran to Russia.

On his own earlier visit to Astrakhan on July 5, Russian Defense Minister Sergei Ivanov had urged the Caspian littoral nations—Iran, Azerbaijan, Kazakhstan, Turkmenistan, and his Russia—to establish a security regime for the Caspian region, without military involvement of powers from outside the region. This is coherent with the demand issued from the recent summit of the Shanghai Cooperation Organization (SCO), for "members of the anti-terror coalition" to set a timetable for withdrawing from bases in SCO member countries (e.g., the United States from Uzbekistan and Kyrgyzstan).

Dagestan Under Fire

A major destabilization of Dagestan, in Russia's North Caucasus area, has been under way for the past ten days, with incidents stretching back several months. It is a focus of attention for Russian ruling circles, as reflected during President Putin's Caspian Sea visit July 13, during which state television showed him vehemently pledging to one of the Navy officers to "solve the problems" in Dagestan.

Dagestan is the easternmost and largest of the North Caucasus republics, and the one targetted by Chechen separatists and some of their London backers, to become the keystone of a "North Caucasus Caliphate," which would break away from Russia. In 1999, it was raids into Dagestan by units under Chechen warlord Shamil Basayev that precipitated the Second Chechen War. Apparently, Basayev is involved again this time.

The recent string of attacks included a July 1 bombing in the Dagestani capital of Makhachkala, which killed 11 Russian special forces troops and wounded 25. On July 6 there was a gun battle in downtown Makhachkala, followed by a bomb explosion that derailed a train north of the capital the next day. According to wire reports, Dagestani police say they have lost 28 officers to insurgent attacks this year, not counting losses by Federal troops. Also on July 6, police stormed a building in the capital and killed two men. One of them turned out to be Rasul Makasharipov, leader of the Basayev-allied Shariat Jamaat group.

Even amidst the London bombing aftermath, British media paid a lot of attention to these events. Reuters on July 8 headlined, "Dagestan a new front in Russia's Caucasus war," while the *London Economist* of July 9-15 devoted a feature article to a report from Makhachkala titled, "Terrorism in Dagestan: The language of bombs—Islamic rebels and corruption threaten another piece of the Russian jigsaw."

Bakiyev Wins in Kyrgyzstan

Kyrgyzstan's interim leader, Kurmanbek Bakiyev, won a landslide victory on July 10 to become the second President of

Kyrgyzstan. Bakiyev, a resident of Osh in the south, led the charge to remove Askar Akayev last May. While there are indications that Bakiyev is a favorite of Washington (as Akayev once was), he had to address the issue of U.S. bases in Kyrgyzstan and in neighboring Uzbekistan. He said: "Afghanistan has had Presidential and parliamentary elections. The situation there has stabilized. So now we may begin discussing the necessity of U.S. military forces' presence." (Bakiyev is not quite right—Afghanistan is planning to have parliamentary elections.) Thus Bakiyev echoed the recent call by the Shanghai Cooperation Organization (SCO) for the United States to set a date for withdrawal from the region.

Iranian Delegation Visits Moscow

An Iranian Parliamentary delegation, under the rubric of the Iran-Russia Parliamentary Friendship Group, visited Russia in mid-July. The group was led by Kazem Jalali, head of the Iranian Parliament's Foreign Affairs Committee, and included Mohammad Khoshchehreh, an aide to President Mahmoud Ahmadianajed.

Reports indicate Jalali and Khoshchehreh met with Alexander Rumyantsev, head of the Russian Federal Atomic Energy Agency (Rosatom), and told him that Iran still intends to produce its own nuclear fuel. Khoshchehreh has also commented on extending nuclear ties with Russia.

But some in Moscow believe that Putin is dragging his feet over the issue. Rajab Safarov, head of the Modern Iranian Studies Center in Moscow, has said recently that "if Russia does not launch Bushehr in 2006, Western companies could push Russia out of the Iranian power industry market." Iran had earlier said that Russia would be involved in 20 nuclear power plants in Iran. But, Russia has made no comment on that.

Gazprom Moves To Acquire Sibneft Oil

Reports about a pending deal between the Russian natural gas monopoly Gazprom and Roman Abramovich's Sibneft oil company surfaced at the beginning of July, though the subject quite obviously had been discussed when Abramovich met President Vladimir Putin on May 27. (On July 8, Presidential Representative for the Far East Federal District Konstantin Pulikovskiy said that Putin may soon reappoint Abramovich as Governor of Chukotka.) The July 11 *Vedomosti* reports that consultants to Gazprom from Deutsche Bank advised the Russian gas monopoly to purchase Sibneft. Sources told *Vedomosti* that Gazprom would acquire a 72% stake in the company. Asked about the matter during the G-8 summit, Putin said it was a private deal, but added, "I am not going to make a secret of the fact that I have discussed this proposal with Sibneft's representatives."

Nezavisimaya Gazeta of July 11 headlined its coverage "The Great Oil Nationalization," writing that the Sibneft acquisition will put about 30% of the Russian oil production under state control. Unlike the natural gas industry, the former Soviet oil sector was broken up in the early 1990s into several firms. Among the large oil companies, Rosneft remains state-owned. Since the state's share in Gazprom has just risen from 40% to over 50%, with the sale of some of its shares to Rosneft, Gazprom's acquisition of Sibneft would return the latter to state control.

There is a great deal of turmoil around these transactions—which involve some of Russia's core petroleum resources in western Siberia—and the role of Kremlin staff in them. Dmitri Medvedev, chief of the Presidential Administration (PA), is chairman of the board of Gazprom, while deputy chief of the PA Igor Sechin is in charge of Rosneft. *Vedomosti* reported that as recently as two weeks ago, Rosneft CEO Sergei Bogdanovich was set to sell the company to Rosneft, not Gazprom. At the same time, the state-owned Gazprom is complaining that the state-owned Rosneft has not yet paid the \$7.1 billion due for its acquisition of 10.1% of Gazprom. And on July 6, Bogdanovich announced that a Moscow court has frozen a number of Yukos Oil's assets—including a 20% state Yukos owns in Sibneft—against a claim for \$3.5 billion Rosneft says Yukos owes it in connection with Rosneft's December 2004 takeover of Yuganskneftegaz, the main Yukos production unit.

Southwest Asia News Digest

U.S. Issues New Warnings to Iran on Its Nuclear Program

White House spokesman Scott McClellan on July 14 demanded "objective guarantees" on Iran's program, adding, "which means there needs to be a permanent end to their uranium enrichment and reprocessing activities."

Iranian negotiator Hassan Rowhani, meanwhile, hinted that Iran could stiffen its position on this issue. "I think that nobody is hostile to the continuation of negotiations, but differences are possible on the question of the suspension, and it is possible that these differences are implemented," he said to *Sargh* newspaper in Iran. This would imply that Iran would resume enrichment-related activities. A day earlier, President-elect Ahmadinejad had spoken of "new measures" he would pursue in this context.

And, rumors continue to fly about a possible replacement for Rowhani, who, like all ministers, will end his mandate on Aug. 3, when the new President comes in. One name bandied about is Ali Larijani, former boss of IRIB, and also a Presidential candidate, backed by Ayatollah Khamenei.

Sharon Demands \$2.2 Billion and Chunks of West Bank For Gaza Withdrawal

Israeli Prime Minister Ariel Sharon sent envoys to Washington during the week of July 11 to demand \$2.2 billion from the U.S. to cover the costs of Israel's withdrawal from the Gaza Strip. It is the latest in a series of demands and delays, which may again put off the projected date from the already delayed mid-August. At the same time, plans have accelerated for Sharon's "Berlin Wall" in the West Bank, which has been extended to cut off 55,000 Palestinians from access to Jerusalem, where they have jobs and relatives, and from which they receive services like electricity.

On July 11, Palestinian President Abu Mazen denounced the latest announcements regarding Sharon's Wall.

"The approval of the fence route in the Jerusalem region could bring about an end to the relations between the two sides," Abu Mazen said. "Such measures will not help serve the peace nor will they serve the security of Israel, which places obstacles on the road to dialogue between the sides."

The new wall route aims to cut an entire neighborhood of predominantly Palestinian East Jerusalem off from the city. This means that some 55,000 Palestinian East Jerusalemites, who up until now had Israeli residence permits, with jobs in the city, whose children go to school in the city, and enjoy municipal services—electricity, water, garbage removal—will be cut off. When Sharon's government made this decision, it said it was based on "demographics"—i.e., ridding the city of non-Jews without regard to the effect it will have on them. The fact is that the situation in the West Bank is so terrible, that the Palestinian National Authority has no ability to take care of another 55,000 people on such short notice.

Other parts of the new wall, called the "Jerusalem envelope," will incorporate West Bank settlements that have never been part of Jerusalem, thereby grabbing more Palestinian land in the process.

Palestinian negotiator Saeb Erekat denounced the wall, saying it is bringing "catastrophe" upon the Palestinians. "We have exerted every possible effort with the Israelis themselves, the Americans, the international community, but the only thing that is happening is that the wall is being completed."

Sharon has announced that the wall, of which only one-third of a proposed 680 kilometers has been built, will be

completed within two years.

The announcements about the wall came at the same time that a delegation led by Ilan Cohen, the director-general of the Prime Minister's office, left for Washington, where they will ask the Bush Administration for \$2.2 billion. Cohen, along with Israeli Finance Ministry director Yossi Bachar, was scheduled to meet Elliott Abrams, the Deputy National Security Advisor for the Middle East.

Palestinian Foreign Minister Demands UN Act on Sharon's Wall

Palestinian Foreign Minister Nasser Al Kidwa on July 11 demanded that the United Nations act to stop the construction of the West Bank wall, especially around Jerusalem. The building of the wall, with its unilateral seizures of Palestinian properties, including farms and homes, was judged to be illegal by the International Court of Justice in The Hague, Netherlands, but Israel has refused to recognize the judgment.

"We want to see some concrete measures," Kidwa said, reported *Ha'aretz* on July 12. "We are proposing completely punitive measures against entities, companies and individuals that contribute to the construction of the wall and other illegal activities in occupied Palestinian territory."

Kidwa mentioned the American Caterpillar company as one such company, whose products, bulldozers, are being used to construct the wall.

"You cannot talk of peace and at the same time colonize Palestinian land; to construct the wall and continue to build settlements. This will destroy the present and future of the Palestinians."

Meanwhile the European Union's foreign policy chief, Javier Solana, criticized Israel for building the wall.

Solana, who just arrived in Israel to hold meetings with Palestinian and Israeli officials, said, "We think that Israel has the right to defend itself, but we think the fence which will stand outside the territory of Israel, is not legally proper, and it creates also humanitarian problems."

Targetted Assassinations Officially Announced by Israel After Suicide Bombings

The Israeli military assassinated Mohammed Alasi, a 24-year-old member of the Al Aqsa Martyrs Brigade, in Nablus in the West Bank on July 14. The assassination took place while he was being interviewed by a British journalist, a 60-year-old woman, who is now in a state of shock.

The targetted assassinations policy was publicly announced, following two suicide bombings claimed by Islami Jihad, despite the fact that Palestinian President Abu Mazen denounced the bombings in the strongest terms.

Following the incident in Netanya, where two Israelis were killed, Abu Mazen declared, "This was a crime against the Palestinian people, and those who were behind it must be working against our people's interest and must be punished."

"There is no rational Palestinian who can conduct such an act at the time Israel was withdrawing from settlements, starting in Gaza and moving to the West Bank," he added.

Israeli commentators, and rightwing extremists who oppose the Gaza withdrawal, and any moves for a Palestinian

independent state, are claiming the suicide bombing reflects Abu Mazen's weakness in dealing with Islamic Jihad, which claimed responsibility for the bombing, and which refuses to accept the ceasefire imposed by the Palestinian Authority. The ceasefire called for refraining from attacking Israeli targets.

Israel's killing of a member of a totally separate Palestinian group, the Al Aqsa Martyrs Brigade, is an obvious move to show that the Israeli hardliners will impose "collective punishment" on the Palestinians, and will refuse to distinguish among militant groups. Such tactics in 2003 were used by Israel to bring down Abu Mazen when he served as Prime Minister to President Yasser Arafat.

Since his visit to the U.S. in April, 2005, Sharon has been trying to brand Abu Mazen as a "non-partner," and have him ostracized as Bush treated Arafat. Now, with the date of the Gaza withdrawal only weeks away, the Sharon government appears to be enacting the policies that will spark retaliatory violence, and use it as an excuse to delay—indefinitely—the Gaza withdrawal.

Well-informed Israeli intelligence sources have previously told *EIR* that Sharon will not abandon the Gaza withdrawal—he will simply find a new excuse to delay every time the deadline draws near.

Meanwhile, Palestinian ministers have been holding meetings with Palestinian Fatah leader Marwan Barghouti, who is being held in an Israeli prison, reported the Israeli and Palestinian press. Barghouti has been considered by veteran Israeli peace advocates to be the only Palestinian leader who has the credibility to lead the Palestinian Authority, with enough strength to bring all factions to accept a PA policy. It has been suggested by American statesmen Lyndon LaRouche, as well as by former Secretary of State James Baker III, that the Israeli government release him. The Israelis have as of now refused.

Among those who have visited Barghouti in the recent period are Palestinian Prisoner Affairs Minister Sufyan Abu Zaydeh, former Palestinian Minister Hisham Abd Al Raziq, and Palestinian Finance Minister Salam Fayad. The fact that Fayad has been visiting Barghouti is noteworthy, since Fayad is the one Palestinian leader with the best connections in Washington, and is reported to be just about the only leader the Bush Administration listens to.

Asia News Digest

Violence Growing Rapidly in Afghanistan

Two rockets hit the U.S. Air Force base in Kandahar in the early morning hours of July 13, injuring two Canadian soldiers and many Afghans. The U.S. military claims the helicopters based there were not hit. A Taliban spokesman has claimed responsibility and asserted that the number of casualties is much higher than reported. Meanwhile, U.S. military spokesman said the U.S. troops are engaged in yet another battle with anti-American and anti-Kabul forces and have killed 17 "Taliban." In addition, in Helmand, pro-Karzai Mullah Salih Mohammad was shot by militants as he was walking to the mosque. Salih Mohammad was said to be the most senior cleric in the province and a member of the national Ulema Council.

U.S.-led troops have also begun a manhunt to capture four detainees who escaped the U.S.-run Bagram Air Base near Kabul. Helicopters are helping ground forces to capture the four escapees, who have been identified as al-Qaeda operators and "dangerous enemy combatants."

What surprised the U.S. military is that the Bagram Air Base is mined on all sides except its entry. The mining was intense, and it is a surprise that the four could escape without blowing themselves up. What is evident, then, is that somebody

"opened" the front door to these "dangerous enemy combatants."

Condoleezza Rice Continues To Enrage ASEAN Allies

In addition to statements reported July 11 by Malaysian Foreign Minister Syed Hamid Albar that Secretary of State Condoleezza Rice's absence from the late-July two-day ASEAN summit "will be criticized as a sign of disinterest in the region," and "will not resonate well," Prime Minister of Singapore Lee Hsien Loong, who is in Washington to sign a strategic partnership agreement with the U.S., said that Rice's absence from the ASEAN summit might mean the United States will miss an opportunity to strengthen its ties to the region at a time when China is strengthening ties with Southeast Asia. Lee said: "We are disappointed, of course."

Since Rice made a point early in her recent trip to Asia that her priority was the release from house arrest of Aung San Suu Kyi, and also to obstruct Myanmar's assumption of the ASEAN chairmanship in 2006, when she was asked point blank at a press conference if Myanmar's pending chairmanship of ASEAN was the problem, Rice refused to give a direct answer.

Thailand Approves Arms Purchase for War in South

According to wire reports July 13, Thailand has approved \$66.3 million in arms purchases to wage "guerrilla war" in its southern provinces. Thailand plans to buy seven U.S.-made attack helicopters and more than 24,000 guns to fight a "guerrilla" war in its Muslim-majority south, according to government documents and officials, even though no one has yet put forward a plausible explanation for the conflict, which has raged since January 2004, with 800 killed and 1,200 wounded.

The Thai Cabinet has approved a three-year special defense budget of 2.8 billion baht (\$66.3 million) for weaponry, according to a classified Cabinet document which was obtained by AFP.

Six procurement projects were approved, including one allowing the Defense Ministry to acquire seven "attack helicopters" from the U.S. at a cost of 300 million baht (\$7.1 million) for their repair, upgrade, and transport.

The projects also allow the purchase of 24,439 assault rifles and machine guns to replace obsolete weaponry used by some of the security forces in southern Thailand, the document said.

The violence in the South is escalating, with the latest being an attack on a power station on July 14. The knocking out of the station was followed by attacks on a hotel, stores, and the railway station. Over 800 people have been killed in this area by the insurgency this year.

Teachers a Special Target in Thailand's South

The Teachers Federation of Thailand's southernmost provinces, Yala, Pattani, and Narathiwat, have revealed that since Jan. 4, 2004, the official date of the onset of the separatist unrest, which began with a series of school arson attacks and the theft of army weapons from a military depot, 48 schools have been torched and 24 educational personnel killed, including five school directors and 14 teachers. The 25th teacher killed in these three southern provinces was reported recently.

With security tension escalating, 3,600 teachers in the three border provinces have requested transfers out of the area within seven days. In total, there are 1,115 schools, 14,875 teachers, and 421,893 students in the three provinces.

'Cheap' U.S. Retailers Shifting From China to India

Wal-Mart, Gap, Inc., and other U.S. flea market "retailers" are shifting from China to India to buy cheap clothes and other goods, *China Daily* of July 12 quoted a Bloomberg wire service as reporting. Wal-Mart is increasing purchases from India by 30%, up to U.S.\$1.5 billion in 2005. These flea-marketers, which together bought some U.S.\$65 billion worth of cheap goods from China in 2004, are now inflicting themselves on India, due to reported concern that China will upvalue its currency, the RMB, against the dollar, a move Wal-Mart and other such firms oppose. By itself, Wal-Mart bought U.S.\$18 billion in goods from China in 2004, up from U.S.\$10 billion in 2001.

Taiwan's New Party Delegation Ends Trip to Mainland

Taiwan's New Party delegation has just finished its journey to Mainland China, which started July 11 with New Party leader Yok Mu-ming meeting a standing committee member of the Chinese Communist Party (CPC) Central Committee Jia Qinglin in Beijing. Jia commended the New Party's longstanding fight against secessionist forces in Taiwan, as well as its support for peaceful reunification between Taiwan and the Mainland. Yok Mu-ming, whose New Party was formed in 1993 as a result of then-President Lee Teng Hui's unabashed pro-independence sentiments, said that "his party will unswervingly oppose Taiwan independence and make further efforts to develop peaceful and stable relation across the [Taiwan] Strait."

During their first day in Beijing, the New Party visited Lugou bridge, the site synonymous with the July 7, 1937 incident that marked Japan's full-scale invasion of the north and central regions of China. The delegation also went to the memorial hall of the People's War of Resistance Against Japanese Aggression. The local residents greeted their fellow Chinese compatriots; they even got the chance to shake Yok Mu-ming's hand. Yok Mu-ming said, "Our Chinese nation has walked a long and winding road. We experienced heavy losses during the eight-year war against Japanese aggression and we should never forget history. I hope Chinese people from every corner of the world can work harder to usher in a bright future for our nation."

On the July 12, Yok Mu-ming gave a speech at Renmin University, and afterwards he was scheduled to meet with President Hu Jintao.

This Week in History

1940 Acceptance Speech

July 19 - 25, 1940.

As War Rages in Europe, Franklin Roosevelt Accepts A Third Nomination for President

It was after midnight on July 19, 1940 when Franklin Roosevelt delivered a radio address to the Democratic National Convention delegates in Chicago, accepting their nomination for a third Presidential term. At the opening of the Convention on July 16, Senator Alben Barkley had read a statement from President Roosevelt which released his delegates to vote for any candidate they chose. But the looming threat to the Americas from the fascist onslaught in Europe required a sober decision by the delegates, and they turned again to the man who had repeatedly warned Americans of the coming danger, and who had done much to ready the country to face it.

Roosevelt opened his address by citing the late hour, but adding that he "felt that you would rather that I speak to you now than wait until tomorrow." He then went on to explain why he was accepting an unprecedented third term: "It is with a very full heart that I speak tonight. I must confess that I do so with mixed feelings— because I find myself, as almost

everyone does sooner or later in his lifetime, in a conflict between deep personal desire for retirement on the one hand, and that quiet, invisible thing called 'conscience' on the other...."

"When, in 1936, I was chosen by the voters for a second time as President, it was my firm intention to turn over the responsibilities of Government to other hands at the end of my term. That conviction remained with me. Eight years in the Presidency, following a period of bleak depression, and covering one world crisis after another, would normally entitle any man to the relaxation that comes from honorable retirement.

"During the spring of 1939, world events made it clear to all but the blind or the partisan that a great war in Europe had become not merely a possibility but a probability, and that such a war would of necessity deeply affect the future of this nation.

"When the conflict first broke out last September, it was still my intention to announce clearly and simply, at an early date, that under no conditions would I accept reelection. This fact was well known to my friends, and I think was understood by many citizens.

"It soon became evident, however, that such a public statement on my part would be unwise from the point of view of sheer public duty. As President of the United States, it was my clear duty, with the aid of Congress, to preserve our neutrality, to shape our program of defense, to meet rapid changes, to keep our domestic affairs adjusted to shifting world conditions, and to sustain the policy of the Good Neighbor....

"In times like these—in times of great tension, of great crisis—the compass of the world narrows to a single fact. The fact which dominates our world is the fact of armed aggression, the fact of successful armed aggression, aimed at the form of Government, the kind of society that we in the United States have chosen and established for ourselves. It is a fact which no one longer doubts—which no one is longer able to ignore.

"It is not an ordinary war. It is a revolution imposed by force of arms, which threatens all men everywhere. It is a revolution which proposes not to set men free but to reduce them to slavery—to reduce them to slavery in the interest of a dictatorship which has already shown the nature and the extent of the advantage which it hopes to obtain....

"Like most men of my age, I had made plans for myself, plans for a private life of my own choice and for my own satisfaction, a life of that kind to begin in January, 1941. These plans, like so many other plans, had been made in a world which now seems as distant as another planet. Today all private plans, all private lives, have been in a sense repealed by an overriding public danger. In the face of that public danger all those who can be of service to the Republic have no choice but to offer themselves for service in those capacities for which they may be fitted.

"Those, my friends, are the reasons why I have had to admit to myself, and now to state to you, that my conscience will not let me turn my back upon a call to service.

"The right to make that call rests with the people through the American method of a free election. Only the people themselves can draft a President. If such a draft would be made upon me, I say to you, in the utmost simplicity, I will, with God's help, continue to serve with the best of my ability and with the fullness of my strength....

"I have spoken to you in a very informal and personal way. The exigencies of the day require, however, that I also talk with you about things which transcend any personality and go very deeply to the roots of American civilization.

"Our lives have been based on those fundamental freedoms and liberties which we Americans have cherished for a century

and a half. The establishment of them and the preservation of them in each succeeding generation have been accomplished through the processes of free elective Government—the democratic-republican form, based on the representative system and the coordination of the executive, the legislative and the judicial branches.

"The task of safeguarding our institutions seems to me to be twofold. One must be accomplished, if it becomes necessary, by the armed defense forces of the nation. The other, by the united effort of the men and women of the country to make our Federal and State and local Governments responsive to the growing requirements of modern democracy.

"There have been occasions, as we remember, when reactions in the march of democracy have set in, and forward-looking progress has seemed to stop.

"But such periods have been followed by liberal and progressive times which have enabled the nation to catch up with new developments in fulfilling new human needs. Such a time has been the past seven years. Because we had seemed to lag in previous years, we have had to develop, speedily and efficiently, the answers to aspirations which had come from every State and every family in the land.

"We have sometimes called it social legislation; we have sometimes called it legislation to end the abuses of the past; we have sometimes called it legislation for human security; and we have sometimes called it legislation to better the condition of life of the many millions of our fellow citizens, who could not have the essentials of life or hope for an American standard of living....

"But all of these definitions and labels are essentially the expression of one consistent thought. They represent a constantly growing sense of human decency, human decency throughout our nation.

"This sense of human decency is happily confined to no group or class. You find it in the humblest home. You find it among those who toil, and among the shopkeepers and the farmers of the nation. You find it, to a growing degree, even among those who are listed in that top group which has so much control over the industrial and financial structure of the nation. Therefore, this urge of humanity can by no means be labeled a war of class against class. It is rather a war against poverty and suffering and ill-health and insecurity, a war in which all classes are joining in the interest of a sound and enduring democracy....

"But we all know that our progress at home and in the other American nations toward this realization of a better human decency—progress along free lines—is gravely endangered by what is happening on other continents. In Europe, many nations, through dictatorships or invasions, have been compelled to abandon normal democratic processes. They have been compelled to adopt forms of government which some call 'new and efficient.'

"They are not new, my friends, they are only a relapse—a relapse into ancient history. The omnipotent rulers of the greater part of modern Europe have guaranteed efficiency, and work, and a type of security.

"But the slaves who built the pyramids for the glory of the dictator Pharaohs of Egypt had that kind of security, that kind of efficiency, that kind of corporative state.

"So did the inhabitants of that world which extended from Britain to Persia under the undisputed rule of the proconsuls sent out from Rome.

"So did the henchmen, the tradesmen, the mercenaries and the slaves of the feudal system which dominated Europe a thousand years ago.

"So did the people of those nations of Europe who received their kings and their government at the whim of the conquering Napoleon.

"Whatever its new trappings and new slogans, tyranny is the oldest and most discredited rule known to history. And whenever tyranny has replaced a more human form of Government it has been due more to internal causes than external. Democracy can thrive only when it enlists the devotion of those whom Lincoln called the common people. Democracy can hold that devotion only when it adequately respects their dignity by so ordering society as to assure to the masses of men and women reasonable security and hope for themselves and for their children....

"I would not undo, if I could, the efforts I made to prevent war from the moment it was threatened and to restrict the area of carnage, down to the last minute.... I do not regret my consistent endeavor to awaken this country to the menace for us and for all we hold dear.

"I have pursued these efforts in the face of appeaser fifth columnists who charged me with hysteria and war-mongering. But I felt it my duty, my simple, plain, inescapable duty, to arouse my countrymen to the danger of the new forces let loose in the world....

"The American people must decide whether these things are worth making sacrifices of money, of energy, and of self. They will not decide by listening to mere words or by reading mere pledges, interpretations and claims. They will decide on the record—the record as it has been made—the record of things as they are.

"The American people will sustain the progress of a representative democracy, asking the Divine blessing as they face the future with courage and with faith."

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[top of page](#)

[home page](#)