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LaRouche's Solution: What You Need To Save the World

Lyndon LaRouche was host Harley Schlanger's guest on 'The LaRouche Show,' a weekly Internet radio program, on May 26 2007. The show airs every Saturday from 3-4:00 p.m. Eastern Time.

Schlanger: . . . "Our guest this afternoon is Lyndon LaRouche, a World War II veteran, the world's leading economist, a scientist, and a philosopher. This week, on his return from an extremely significant, historic trip to Russia, which we will discuss on the program today, he issued a much-needed kick in the pants to Democrats with the efficient title, 'Democrats, Wake Up!' [EIR, June 1, 2007].

LaRouche is presently working on a new piece called 'The Rules for Survival,' which I presume is what he promised when he wrote in 'Democrats, Wake Up!' that he would prepare a programmatic policy statement of the type urgently needed by leading political parties, which have shown themselves currently unable to grasp the actual situation which menaces our own and other nations today. So, Lyn, welcome to 'The LaRouche Show...'

In-Depth Coverage

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Feature

LaRouche's Solution: What You Need To Save the World

Lyndon LaRouche was the featured guest on 'The LaRouche Show' radio program on May 26. As the world hovers at the brink of collapse of the financial-monetary system, one nation after another faces a political crisis of ungovernability, and neither U.S. political party is prepared to do what is required to solve the crisis. The strategic key, LaRouche said, is to form an alliance among the United States, Russia, China, and India, to reorganize the bankrupt monetary system and launch infrastructure projects, such as the Bering Strait tunnel project and the Eurasian Land-Bridge, that can bring depressed and impoverished regions to life. If those nations back such a program, others will rapidly join in. LaRouche was questioned by a panel from the LaRouche Youth Movement.

International

[Hitler 1938, Cheney 2007?](#)

[Do the lessons of the Munich Pact have any bearing on today's showdown in the Persian Gulf?](#)

Is the 'War Party' inside the Bush Administration, headed by Vice President Dick Cheney, borrowing a page from Hitler's 1936-39 playbook,

carefully orchestrating war with Iran, just as Hitler did with Czechoslovakia?

Russians Look at Strategic Meaning of Historical Alliance With U.S.A.

Russia is trying to deal with the consequences of the world economic crisis by reinstating the kind of collaboration with the United States that has existed between the two countries at various times since America's fight for independence from the British.

'American System' Came to Russia 200 Years Ago

War Danger in the Gulf Grows: Eurasian LandBridge Instead of War!

Helga Zepp-LaRouche warns that the Cheney-led drive for war against Iran, is an attempt to open a front against Russia.

Will Iran Blow the Whistle on Cheney's Double Game?

Will Nigeria Plunge Into Ungovernability?

Why India's Manmohan Singh Faces a Long, Hot Summer

Shultz and Co. Launch Danish Political Party

National

Population Tells Congress: Impeach Cheney, Bush Now!

As Congressmen return to their districts for the Memorial Day recess, they are finding that the citizenry wants impeachment, and is in a rage at Congress's failure to act.

- **Gore: No Impeachment!**

Fitzgerald Puts Cheney in the Middle of Plame Leak Coverup

LYM Plugs Up Gore's Gaseous Emissions

LYM Presses Virginia Tech Panel on Role of Violent Video Games

- **LYM Testimony to the Virginia Tech Panel**

National News

Economics

Biofuels Are Famine Policy; Food Shortages Are Hitting

The 'biofoolery' financial swindle is creating the conditions for famine, as crops are shifted from food to ethanol and other fuels.

[U.S.-China Dialogue: A One-Sided Affair](#)

[Will Canada Join the Rail and Nuclear Renaissance?](#)

[Germany Goes It Alone on Hedge Fund Controls](#)

[1975 'Endangered Atmosphere' Conference: Where the Global Warming Hoax Was Born](#)

Margaret Mead organized a 1975 conference, along with other malthusian luminaries, to promote the absurd choice of either feeding people or 'saving the environment.' Several of those who made presentations there are now leading spokesmen for the global warming hoax.

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U.S. Economic News Digest

Pension Fund Managers Invest in CDO 'Toxic Waste'

June 2 (EIRNS)—Everybody's doing it. Calpers (California Public Employee Retirement System) has invested \$140 million in them; the Texas teachers pension fund has invested \$73 million; the New Mexico State Investment Council has bought \$222.5 million, and is planning to invest another \$300 million. They are snapping up unrated, bottom-of-the-barrel collateralized debt obligation (CDO) investments known as "equity tranches," and nicknamed "toxic waste" in the trade. Toxic waste because they are a bundle of the riskiest portion of the CDO, made up largely of subprime loans and other risky debt. These investments are unrated, practically untrackable, and the mix in the bundle can be changed after it is sold, so you really don't know what you have.

Edward Altman, director of the Fixed Income and Credit Markets program at New York University's Salomon Center for the Study of Financial Institutions, commented to *Bloomberg* June 1 of such an investment: "That's obviously a very risky play ... if there's a meltdown, which I expect, it will hit those tranches first."

Chriss Street, treasurer of Orange County, Calif., was more blunt: "It's grossly inappropriate to take this level of risk. Fund managers wanted the high yield, so Wall Street sold it to them. The beauty of Wall Street is they put lipstick on a pig." Street mentioned the similarity between the investments which led to Orange County's 1994 bankruptcy, and the investments being made by the large pension funds today. "Very few pension plans could meet their fiduciary duty by buying portfolios of subprime loans," he said. "They spiked up the yield, but that yield means nothing when the defaults

start to mount, as we know they will. The funds will take big losses."

With the dramatic rise in foreclosures centered in the subprime mortgage sector, the day of reckoning is close at hand. It's one minute to midnight; do you know where your pension is?

'Big Three' Automakers To Dump Health Care on Union

June 1 (EIRNS)—Ford, GM, and Cerberus-owned Chrysler will demand this Summer that the United Autoworkers Union (UAW) take the health-care plans of retired autoworkers off the auto companies' hands, in order to save each of the companies billions in health-care liabilities. This huge union "giveback," of which the LaRouche Political Action Committee (LPAC) warned in a May 18 report on the Cerberus buyout of Chrysler, was reported in the May 29 *Christian Science Monitor*. The *Monitor* interviewed two union benefits experts who confirmed that the automakers will demand that the union take lump-sum payments from each of the "Big Three," and then administer its own retirees' health-care plan as a voluntary employees beneficiary association (VEBA), rather than a full-scale retiree health plan.

The lump-sum payments would probably only cover 60-70% of the liabilities of the current plans. This is sometimes called the "Goodyear solution," in reference to the precedent set by in 2006 by Goodyear Tire and Rubber, which forced the United Steelworkers Union (USWA) to accept a \$1 billion lump-sum payment and takeover of its health-care plans.

Housing Collapse Heads Toward Cascading Chain Reaction

May 29 (EIRNS)—David Seiders, chief economist for the National Association of Home Builders (NAHB), warned that U.S. new home construction may not reach a normal "benchmark" level of 1.85 million units per year, until the year 2011, a striking admission of the downward spiraling of the housing market.

In an interview with *Bloomberg* news service May 29, Seiders stated that new home construction starts occurred at an annual level of 1.53 million units in April 2007, compared to 2.29 million units in January 2006, a fall of 33.2%. To reach the benchmark level of 1.85 million units, new home construction would have to rise by 21%, he said. But this is impeded by the fact that in April 2007, the national inventory of unsold homes reached 4.2 million, a supply of 8.4 months, the highest level since the NAHB began collecting figures in 1999. This inventory would have to be worked down, he said.

In addition, Seiders asserted that, "We're still being hit pretty hard by the subprime-related mortgage market problem." He projected that defaults and foreclosures on subprime mortgages may rise cumulatively to \$650 billion by 2009; that would constitute more than a third of all subprime mortgages outstanding.

Simultaneously, Standard & Poor's reported that its Case-Shiller U.S. National Home Price Index, for the sales price of existing single-family homes in metropolitan areas, fell 1.4% during the first quarter of 2007, compared to the comparable period of a year earlier, the first quarterly decline in 16 years.

Pigs War Over Who Will Survive the Mortgage Collapse

June 1 (EIRNS)—A group of hedge funds which have been betting vast sums that subprime mortgages will fail, is now demanding public action to stop the banker-lenders from interfering with defaults and foreclosures. The *Financial Times* of London reports that the hedge fund Paulson & Co. led a group of 25 firms in a request to the International Swaps and Derivatives Association, complaining that mortgage bankers sell credit derivatives (which these hedge funds buy) to insure themselves against failure of the usurious loans, and then somehow renegotiate the mortgages that fail—thus these loans are not reported as failed, and they don't have to pay off on their lost bets. A spokesman for Paulson & Co. told *EIR* that

investors make a fortune by keeping or buying up failed loans and manipulating the credit-insured market, which he said is leveraged to 1,000% or even 10,000% of the value of the loans.

Hundreds of billions in losses are building up to crash upon hedge funds, mutual funds, banks, and others who have milked the mortgage bubble. Who will eat the losses; who will survive the smashup?

Paulson & Co. (no relation to Treasury Secretary Henry Paulson) is a vulture fund, specializing in taking stock positions and then staging anti-management revolts to block planned capital investments, and forcing payouts to shareholders instead. Victims include Algoma Steel in Canada and Reliant Energy in Texas. The *Financial Times* reports that Paulson & Co. "last year launched a specialist fund to bet on a downturn in the subprime market. The fund is up more than 90 per cent in the year to date."

The hedge funds betting on collapse and default have hired former Securities and Exchange Commission chairman Harvey Pitt to publicly state their complaint against the mortgage bankers who are not foreclosing on homeowners they have squeezed. Pitt reportedly coined the phrase "corporate Darwinism" to credit law-of-the-jungle immorality as the cause of higher economic efficiency.

On May 15, Federal Reserve Board chairman Ben Bernanke told the 2007 Financial Markets Conference on credit derivatives, "We should ... always keep in view the enormous economic benefits that flow from a healthy and innovative financial sector. The increasing sophistication and depth of financial markets promote economic growth by allocating capital where it can be most productive."

World Economic News

Trade Unions Say Private Equity Buyouts Threaten a Crash

May 29 (EIRNS)—Labor unions from 35 European countries decided on an international mobilization against private equity "leveraged takeovers," saying they rob countries of taxes, workers of jobs, and could collapse the same market liquidity they are feeding off. The unions met in Seville, Spain, and targeted the takeovers occurring in Britain, in particular.

The London *Financial Times* reports today that these private-equity-fund buyouts of corporations are setting a record pace worldwide in 2007. In the United States alone, at least \$82 billion worth of takeovers—mostly funded by debt—have taken place in May alone, the highest buyout level of any month in history. Today, another \$22 billion buyout was announced (including \$10 billion in new debt), of the Archstone-Smith Real Estate Trust, by Lehman Brothers Holdings and Tishman Speyer Properties. Some bankers told the *Times* they thought the buyout boom was peaking, before running into a sudden rise in interest rates and a collapse.

One of the leading trade unions in the mobilization against takeovers, the British Trades Union Congress (TUC), said in a statement today that buyouts had taken \$100 billion out of Britain's capital markets in just six months, making the private buyout markets bigger than the stock markets. The TUC said the buyout funds were using highly leveraged (debt-heavy) deals to avoid paying taxes themselves or on the companies they take over, citing the loss of \$260 million in tax revenue by the British Treasury on just one deal, KKR's takeover of Alliance Boots Corp.

Top Buyout Firms Hire Distressed Debt Experts

May 30, 2007 (EIRNS)—As a sign of things to come, the top winners in the global buyout bubble have been hiring the top

distressed debt experts at the fastest pace in five years according to a report in Bloomberg.com. These firms include some of the biggest, such as Goldman Sachs Group, Inc., which just hired Andrew Wilkinson, a lawyer who has advised some of the biggest bankruptcies ever, including Eurotunnel Plc and Parmalat Finanziaria SpA. Others hiring such experts include Blackstone Group and Morgan Stanley.

The move is related to the massive leveraged buyouts based on less than good credit. For example, Bloomberg.com writes that in Europe alone, companies have acquired \$256 billion in loans and bonds rated below investment grade. Another indication of what the future holds is the fact that the number of distressed debt bankers in Europe has increased by 30% to 400 this year and accounts for about one-third of all such banks in the world.

Funds Hedging Against Stock Market Crash

May 30 (EIRNS)—The Danish financial daily *Borsen* reports today that the fear of a "strong correction" in the financial markets is becoming more and more evident. Professional investors are buying derivatives to hedge themselves against falling stock markets like never before. Stock markets fell 7% during February and March of this year. "A certain part of the hedge fund industry is buying protection for a lot of money," Casper Hellas of Scandium Asset Management, who monitors hedge fund activity closely, is quoted by *Borsen* as saying. *Borsen* also reports that a study of the options on Standard and Poor's stock index shows very negative expectations for the stock markets over the next three months. A negative outlook is especially growing among the so-called long-short hedge funds that administer \$800 billion.

Mortgage Carry-Trade Insanity

May 29 (EIRNS)—Millions of people throughout the world, especially in Eastern Europe, are using the carry-trade, usually the preserve of big-time gamblers, to take out home mortgages. In the carry-trade, an investor borrows money from one country, where the borrowing cost is low, and invests it in another country, where investments yield a high rate of return. Now, households are insanely engaging in this risky practice, taking out a home mortgage in a foreign currency at a low interest rate, sometimes half the rate of interest charged in their home country.

In Poland, one-third of all mortgages are contracted in foreign currencies. In Hungary, half of all the mortgage loans are foreign currency-denominated, according to the country's central bank. The Swedish bank SEB reports that 70% of its lending in Latvia, is in foreign currency, rather than the local currency, the lats.

The mortgage and regular carry-trade have created an immense danger. In Poland, Hungary, and Latvia, the foreign currency debt coming due now exceeds the reserves of those countries' central banks. Were foreign investors to pull out funds from those countries—which prop those currencies up—the currencies would crash.

To Stem Speculation, China Triples Stock-Trading Tax

May 29 (EIRNS)—The Chinese Ministry of Finance announced today that it will triple the tax on stock securities trading. This follows a series of moves this year to dampen China's overheated financial markets. The announcement comes on the same day that the head of the Hong Kong Monetary Authority warned of the effect of a sudden depreciation of the U.S. dollar. The new Chinese policy, effective May 30, will raise the stamp tax that investors must pay on each stock-trading transaction, to 0.3%, from its current 0.1%.

More than 20 million accounts to trade stocks have been opened at brokerages in China so far this year, four times the amount in all of 2006, according to the China Securities Depository & Clearing Group. The number of brokerage accounts in China has topped 100 million for the first time ever.

The Shanghai stock market's benchmark CSI 300 index has been surging. According to Bloomberg data, the CSI 300 Index is trading at a whopping 48 times earnings. The Chinese government has taken a series of incremental measures to slow speculative investment. On Feb. 27, it tightened measures for investing with borrowed money, which sent the CSI Index tumbling 9.2% for the day (it soon rose again). On May 18, the Chinese central bank raised the one-year bank deposit rate at banks from 2.79% to 3.06%, as a step to tighten liquidity. One week later, the stock regulatory authority instructed brokerage firms to have investors sign a declaration that they are aware of the risks when opening stock-trading accounts. Thus far, these measures have had only a modest effect on the rise of the stock market.

United States News Digest

Gates Proposes Permanent U.S. Bases in Iraq

June 1 (EIRNS)—Visiting the U.S. Pacific Command in Hawaii on May 31, U.S. Defense Secretary Robert Gates cited the South Korean model in announcing that the United States is looking to a long-term military presence in Iraq, under a mutually agreed arrangement. He also said that he is looking beyond the month of September, when the present "surge" strategy of the United States will be evaluated. "What I'm thinking in terms of, is a mutual agreement where some force of Americans—mutually agreed with mutually agreed missions—is present for a protracted period of time," he said. U.S. troops have been in South Korea since the end of the 1950-53 Korean War, with U.S. generals in charge of combined U.S.-South Korean forces in time of war. "The idea is more a model of a mutually agreed arrangement whereby we have a long and enduring presence but under the consent of both parties and under certain conditions," Gates said. "The Korea model is one, the security relationship we have with Japan is another," he added.

Since the Congressional Democrats capitulated on demanding a pullout from Iraq, the discussion of a permanent presence in Iraq has become more openly discussed in the Administration.

The comparison of Iraq and Korea was ridiculed the next day, during a conference call briefing sponsored by Americans Against Escalation in Iraq. Retired Army Brig. Gen. John Johns, a veteran of the counterinsurgency campaign in Vietnam, said that, "There has to be some U.S. military force present [in the Persian Gulf region], but it must not be for maintaining U.S. hegemony in the region." He denounced the plan for permanent bases in Iraq, and said that the Bush Administration is arguing for precisely such regional hegemony. Johns ridiculed the statements by Gates and others in the administration as "an umbrella for staying the course." Johns also reported, in a response to a reporter's question, that the Bush Administration plans call for 13 permanent military bases in Iraq "to extend military hegemony over the Middle East."

Gonzales's Role Looks Like Obstruction of Justice

May 29 (EIRNS)—Sen. Sheldon Whitehouse (D-R.I.), of the House Judiciary Committee, speaking during a press conference on May 24, noted that a conversation between Attorney General Alberto Gonzales and his former top aide, Monica Goodling, held a week after the House Judiciary Committee requested that she testify, is only one example of "how often a whiff of obstruction of justice has reared its head in the course of this investigation.... So if we were to look more into the specifics of that conversation, and we found that it was, again, in the area of obstruction of justice, it would come as no surprise. There's been the cloud of that hanging over this entire investigation." Whitehouse is a former prosecutor.

Goodling had testified that the Attorney General had approached her with his recollections of "[s]ome of the process regarding the replacement of the U.S. attorneys. And he—he just—he laid out a little bit of it, and then he asked me if he thought—if I had any reaction to his iteration. And I remember thinking at that point that this was something that we were all going to have to talk about, and I didn't know that it was—I just—I didn't know that it was maybe appropriate for us to talk about that at that point, and so I just didn't. As far as I can remember, I just didn't respond."

Florida Guard Will 'Push Back' vs. Army Equipment Demands

May 29 (EIRNS)—In a letter drafted in April, but never sent, Florida National Guard Maj. Gen. Doug Burnett wrote to his commanders that the U.S. Army was "adamant" that the Guard provide more gear and equipment to be sent to training stations and perhaps overseas. "WE WILL NOT do that and I ask each of you to keep me informed when requests for our equipment arise" (emphasis in original), wrote Burnett, according to the *St. Petersburg Times* of May 25.

The paper received a copy of the letter through a public records request. In interviews with the Guard, the *Times* reports that the Guard knows that it cannot legally refuse an Army demand, but that it will resort to political pressure through the state's governor, Charlie Crist, or the state's Congressional delegation. Burnett's letter continues, "It remains evident that Congress does not have the complete picture from the Army concerning ... equipment needed for the National Guard."

EIR has reported how diversion of National Guard equipment into Iraq, has left state units unprepared for disasters and other emergencies.

Students, Faculty Boo Bushie Andrew Card at UMass

May 28 (EIRNS)—President Bush's former Chief of Staff Andy Card was lustily booed by hundreds of students and faculty members as he rose to accept an honorary degree from the University of Massachusetts Amherst May 25. The booing drowned out Provost Charlena Seymour's remarks as she awarded Card an honorary degree in "public service."

Faculty members on the stage joined in the booing, while one professor on the stage raised a sign, "Card—No Honor, No Degree." Another sign said, "War Criminals Go Home," according to Associated Press. More than 100 students and faculty sang anti-war songs and leafleted before the ceremony began.

Card's inverse ratings on the applause meter may be the result of much recent press attention to his role in accompanying the disgraced, then-White House Counsel Alberto Gonzales to the intensive care unit of George Washington University Hospital on March 10, 2004, with the mission of getting the very ill and sedated U.S. Attorney General John Ashcroft to sign a broad order allowing surveillance of U.S. citizens. This was an unsuccessful end-run around Acting Attorney General James Comey, who had refused to sign it as "unconstitutional." Ashcroft agreed with Comey.

Senators Move To Restore Rights for Gitmo Detainees

May 28 (EIRNS)—Senate Armed Services Committee Democrats, led by Sen. Carl Levin (Mich.), will present a bill that would give new rights to the terror suspects held at Guantanamo Bay.

The proposal, approved by a 25-0 vote behind closed doors, according to Associated Press, would: 1) narrow the definition of an enemy combatant; 2) give every suspect detained a lawyer, regardless of whether a trial is set; 3) reject any testimony obtained by coercion, or hearsay evidence; and 4) require "status reviews" where defendants have a lawyer, a military judge in charge, and evidence against them is disclosed. More details of the bill will be revealed when the Senate returns from its recess on June 4.

Senator Levin included the new legislation in the \$649 billion defense policy bill for FY 2008.

Sen. Lindsey Graham (R-S.C.), after voting for the bill in committee, expressed concern that it may go too far: "I am open to making the process better, but it has to meet the test that we're in a shooting war."

About 380 detainees are now being held at Gitmo. Only two have been identified to stand trial—under current procedure, only those two have lawyers. The Defense Department says it plans to bring charges against about 75 more. About 80 prisoners are scheduled for release.

Cheney Ridicules Geneva Convention, U.S. Constitution

May 27 (EIRNS)—Dick Cheney has added to the standard rant that "the terrorists" are dedicated to building a new caliphate from Spain to Indonesia. Now, he told the graduating class at West Point, "the terrorists" want the capital of the caliphate to be in Baghdad. He explained why we are in Iraq: "because that is where [the terrorists] have gathered."

In keeping with his disdain for the Geneva Convention and the U.S. Constitution under his "unitary executive" theory, derived directly from Hitler's jurist Carl Schmitt, Cheney told the graduates of the foremost U.S. military academy: "Capture one of these killers, and he'll be quick to demand the protections of the Geneva Convention and the Constitution of the United States. Yet when they wage attacks or take captives, their delicate sensibilities seem to fall away."

Raw Story, citing the February issue of the *New Yorker*, noted that U.S. Army Brigadier General Patrick Finnegan, dean of West Point, told author Jane Mayer that he had more and more difficulty convincing the cadets in his classes that torture of terrorists was wrong, as well as illegal. Cheney's jaunt up the Hudson won't help on that front.

Ibero-American News Digest

Economic Hit Men Threaten Destabilization of Ecuador

May 31 (EIRNS)—Foreign financial and banking oligarchs have unleashed the current "corruption" scandal targeting Ecuador's Finance Minister Ricardo Patiño, aimed at destabilizing the government of President Rafael Correa, if not at assassinating the President himself. On May 21, while Patiño was in Asunción, Paraguay, meeting with regional finance ministers to discuss the new Bank of the South, the Telemazonas-TV network transmitted part of a video, purporting to show him engaging in insider trading and "market manipulation" schemes with foreign creditors, allegedly to make a financial killing for the government just days before a scheduled February payment of \$135 million on its Global 2030 bonds.

On cue, London's *Financial Times* reported May 25 that Ecuador "could be hit with legal action" by the U.S. Securities and Exchange Commission (SEC) and foreign bondholders, as Patiño had violated "the Securities Act," which "could be the basis for enforcement action." The London *Economist*, as well as mouthpieces for Wall Street's interests, jumped in to predict that bondholders might try to seize Ecuador's assets, while opposition legislators announced May 31 that they were beginning impeachment proceedings against Patiño.

On May 27, in the province of Los Rios, Correa reported that he had received repeated death threats, and that there are people who want to "take a shot" at him. Earlier, he had warned of a conspiracy against his government, echoing charges made May 25 to the Gamavision news agency, by former President Abdala Bucarám, of a coup plot against him. And, Correa added, "new attacks will come."

These threats follow the same *modus operandi* that author John Perkins exposed in his 2005 bestseller, *Confessions of an Economic Hit Man*. There, he documented the dirty tricks—including assassination—that foreign banking and intelligence networks used against any developing-sector government or President who defied them. Perkins, who was in Ecuador on May 22 to ask Ecuadoreans to forgive him for his role in destabilizing their government in the 1980s, charged that the

"accidental" death of President Jaime Roldós in 1981, was in fact his "payoff" for having attempted to restrict the looting rights of foreign oil companies and allied financial interests.

These financial predators and their local toadies today are enraged that Correa and Patiño are not only challenging their right to continue riding roughshod over Ecuador's economy, but are also collaborating with other South American leaders, such as Argentina's Néstor Kirchner, to challenge the very premises of the International Monetary Fund's bankrupt system. When Patiño emerged from the Asunción meeting, he told reporters that agreements made there represented "a fundamental historical framework for the creation of a new international financial system. The Bank of the South is the inflection point in the international financial system."

Correa and Patiño point out that the real issue at hand is Ecuador's economic sovereignty and the welfare of its people, which come before any payment of the foreign debt. Correa warned on May 26, "We are in a revolution, and war is war, after all." Patiño, who for many years worked with the Jubilee 2000 Commission set up by the late Pope John Paul II to investigate the malicious role of the foreign debt in poor countries, showed the infamous video-tape in its entirety on May 24. He explained that he had secretly taped it with Correa's permission because, "it was my obligation ... to use the circumstances of my public office to thoroughly investigate how these perverse mechanisms of indebtedness operate." It was clear that the creditors were making an "indecent proposal," intended to hurt the country, and they had to be exposed, Patiño said.

Colombia Needs Protective Tariffs To Control Hot Money

May 29 (EIRNS)—Drug-linked speculative capital is pouring into Colombia at an accelerating rate: US\$ 5.5 billion since Jan. 1, 2007, as compared to \$360 million in the same period last year, according to the Central Bank on May 22. Hot money has driven up the value of the Colombian peso vis-à-vis the dollar by 5% in the last three weeks, 14% this year, and 21% over the last 12 months, damaging Colombia's already-precarious productive sector, and feeding the crisis in governability that is developing over revelations of drug mob penetration of all branches of the government.

The official exchange rate is about 1,900 pesos to the dollar; in the drug-infested Magdalena Medio region, dollars are so plentiful they can be bought for 1,000 pesos.

On May 23, the government announced the imposition of minimal controls on short-term capital, requiring "investors" bringing money into the country to deposit 40% of the total at the Central Bank for six months, at no interest, or to pay a fine of 9.4% of the total. President Alvaro Uribe told a meeting of the construction industry the day before the measures were announced, that such short-term capital used to be called "hot money, but today, very sophisticatedly, it is called portfolio capital."

What the President did *not* say, is that the single greatest source of hot money flooding the country is the drug trade, against which the limited monetary measures just imposed, while not harmful, will do nothing. In fact, the peso revaluation has *accelerated* since the government's action, just as it did after the Central Bank imposed similar measures on offshore loans and deposits repatriated by local companies on May 6.

Lyndon LaRouche pointed out May 29 that what Colombia needs, for starters, is *protective tariffs*, to defend its trade and economy. Protective tariffs provide the framework under which monetary policies, including full exchange and capital controls, can work, he specified.

Mexican Workers: Overturn Social Security Privatization

May 30 (EIRNS)—Mexican President Felipe Calderón is finding that while it may be easy to pass financial reforms to loot

the Mexican people, he may not have the political power to implement them. Protests are building around the country demanding that the privatization of the social security system for public sector workers of the ISSSTE (Social Security and Services Institute for State Employees), rammed through Congress on March 31, be rescinded. The protest has the potential to catalyze broader ferment against the Calderón regime itself, whose election was never accepted as legitimate by half the country.

One of the leaders of the drive to reverse the privatization is Agustín Rodríguez, secretary general of the Trade Union of the National Autonomous University of Mexico (STUNAM) and co-chair of the National Workers Union (UNT) labor federation. During the mobilization, he will hold an internationally broadcast dialogue June 14, with the leading anti-globalization strategist of the United States, Democratic Party leader Lyndon LaRouche, and Chilean labor leaders, on "Globalization Equals Fascism."

Rodríguez announced on May 29 that the UNT and one of Mexico's teachers' federations, the National Teachers Coordinator (CNTE), have reached an agreement to coordinate actions to reverse the law, using everything from street protests and national strikes, to contesting the law in the courts. Already, hundreds of thousands of lawsuits seeking injunctions against the law have reportedly been filed, while CNTE activists have set up an encampment in front of ISSSTE headquarters, from which they are deploying daily protests. Plans for a national strike are under discussion.

Feeling the heat, President Calderón personally began campaigning in defense of the rotten law on May 29, complaining that the reform is "misunderstood," and without it, the country would have gone bankrupt.

Argentine LYM Brings FDR Legacy to Economics Seminar

May 29 (LPAC)—The LaRouche Youth Movement (LYM) took the opportunity of the First International Economics Seminar, sponsored by the Economics Department at the National University of Buenos Aires (UBA), to organize at the campus.

The opening session of the event included the 2006 Nobel Prize winner in Economics Edmund Phelps, who, apparently displeased with President Néstor Kirchner's anti-IMF economic policies, told the government it should act to improve its "image" with foreign financial markets.

LYM leader Betiana González approached Finance Minister Felisa Micelli, who attended, but did not speak, and handed her some literature, including Lyndon LaRouche's statement of support for the Bank of the South, the LYM Internet publication *Prometeo* (Prometheus), and *EIR*. Miceli responded warmly, "good, thanks very much." When González remarked that "a new economic order must be created, Minister," Miceli firmly stated, "Well, that's *your* mission: to work, fight, organize!" González concluded the exchange with, "It has to be with Franklin Roosevelt's legacy!"

Western European News Digest

Striking Italian Cabbies Distribute LaRouche Movement Leaflet

May 31 (LPAC)—All of Italy's 30,000 taxi drivers went on strike today against the government's deregulation plan. Thousands converged to demonstrate in Rome, where the city center, with its municipal and federal offices, was paralyzed. In Rome, as in Milan, strikers distributed a leaflet written and signed by Claudio Giudici for Movimento Soliarietà (Movisol), Lyndon LaRouche's co-thinker organization in Italy.

The leaflet exposes the taxi deregulation plan as part of the policy of globalization which aims to dismantle all state

regulation in economic policy, opening the door for private capital to move in and create a monopoly. The inevitable result of such a policy is lower living standards for workers and poorer public services, as private capital is only out to make immediate profits. Thousands of copies of the leaflet, calling for a public investment plan in infrastructure and public transportation, as the alternative to congestion on city streets, were distributed in Milan and Rome. The leaflet situated the fight over taxi regulation as part of the need for a global shift towards an FDR-style policy of economic reconstruction, as called for by Lyndon LaRouche in the United States.

The national demonstration in Rome included 10,000 cars, along with over 30 busloads of demonstrators. Before noon they had already distributed thousands of leaflets at the Rome central station; from there they were going to Ciampino Airport and other locations.

The leaflet has been sent to all printed and electronic media as well. "This is only the beginning of a much broader fight," said one strike leader. "If it were only a question of taxis and gas stations [another sector targeted by deregulation—ed.], then we could simply find another job. But the real problem is much bigger, and requires a change in economic policy in general."

Sarkozy Prepares a French 'Homeland Security' Department

May 28 (EIRNS)—French President Nicolas Sarkozy is preparing a kind of "Department of Homeland Security," a concentration of police/security powers, *EIR's* Paris bureau reports. Sarkozy is working to eliminate the opposition of both the Socialist Party (PS) and the new "centrist" Democratic Movement (MODEM) party of François Bayrou, by enticing their senior members to defect. Sarkozy is also proceeding to centralize all intelligence, domestic and overseas, into a single apparatus under his direct control.

The 2,000 employees of the Central Directorate of General Intelligence (political police) are already moving from their present quarters at the Interior Ministry to a building in the Paris suburbs, where they will be joined by their counterparts at DST (Directorate of Domestic Surveillance), SDAT (Counter-Terrorism Sub-Directorate), and later by the General Directorate of Foreign Security (DGSE). Overseeing the creation of this new security/intelligence apparatus is Claude Guéant, Sarkozy's chief of cabinet. Ultimately, it could be run by a new, American-style National Security Council, under the Presidency's control.

Clearly inspired by Bush's Department of Homeland Security, the new body will combine, says *Le Figaro*, the fight against the violence in the suburbs (where poverty and unemployment among many young immigrants are high) at the local level; counter-terrorism at the regional level; and at the central level, the struggle against "subversives." On May 2, Sarkozy wrote the head of the police trade union Synergie-Officiers, that he favors the "creation of a unified leadership for domestic intelligence in France, to better fight terrorism," adding, "I do not exclude adapting the structures of the national police to better respond to the evolution of delinquency."

Furthermore, Sarkozy is moving to create a unitary executive as conceived by Nazi legal theoretician Carl Schmitt, against the Fifth Republic system in which the President sets up the general thrust of policies and deals with defense and foreign affairs in particular, and the Prime Minister deals with day-to-day affairs. Sarkozy has scores of advisors, who will be dictating policies to the various ministers: in economics, seven experts; in social sciences, five experts; and defense and security, six experts.

Kosovo 'Compromise' Will Not Stop Crisis from Spreading

May 30 (EIRNS)—*EIR's* correspondent in Zagreb, Croatia reported May 29 on a possible compromise on the status of Kosovo—the heavily Albanian-populated region which has been part of Serbia for five decades—which may have been

worked out between Russia and NATO powers. The most influential Croatian daily, *Jutarnji List*, wrote that, "according to some semi-official information from Moscow" the compromise on the future status of Kosovo has been agreed upon between Russia, the European Union, and the United States.

Today, however, Serbian President Boris Tadic gave an interview to Italy's *Corriere della Sera*, warning that granting of Kosovo independence will undermine international law and ultimately western stability. His remarks come at a point when all the governments of both western and eastern Europe are in crisis, bordering on ungovernability.

The U.S. and the European Union have recently put heavy pressure on members of the UN Security Council to endorse a resolution in which Kosovo would become an independent state under EU supervision.

Following a meeting in Rome with Italian Prime Minister Romano Prodi, Tadic declared that "Serbia does not consider as acceptable any form of independence of Kosovo. Serbia wishes integration in the European Union and fights for a compromise solution which is acceptable for both Belgrade and Pristina [the Kosovo capital].... I told Prodi and [Italian Foreign Minister Massimo] D'Alema that Serbia is ready to sit at the negotiating table to find a solution that is acceptable to both parties, and to find an integration of Serbia in the EU," Tadic said.

Security Tight for Hamburg Asia-Europe Conference

May 28 (EIRNS)—Increased security precautions, including establishing a no-access zone of 500 meters around the conference site, have been taken for the two-day Asia-Europe Meeting (ASEM) conference of 43 foreign ministers from Europe and Asia, beginning May 28. The conference, taking place in the run-up to the June 6-8 Group of Eight Summit in Heilingdamm, Germany, is the target of "anti-globalization" protests, for which 5,000 protesters, including gangs of notorious rioters, are expected in Hamburg. Against the pattern of arson attacks earlier this year against institutions and prominent individuals in politics and business, justified by extremist anti-G-8 groups, security protection has been visibly upgraded in Hamburg, not just for the ASEM meeting, but also for other potential targets. The Hamburg protesters consider their demonstration as a feeder into what is planned as a 100,000-person protest at the G-8 Summit itself.

EU Credit Straitjacket Threatens Alps Rail Tunnel

May 28 (EIRNS)—One of the linchpins of European infrastructure projects—the Lyon, France to Turin, Italy Rail Tunnel under the Alps, originally proposed in the Delors Plan—is threatened because of the EU's control of the economies of its 27 member countries, through the foolish financial standards of the Stability Pact.

Italy's debt is already 107% of its Gross Domestic Product, much above the Pact's 60% limit.

Paolo Costa, a member of the Italian Parliament, and chair of the European Parliament's Transport Committee, has urged that the limit be waived. Costa has estimated that Italy would have to contribute 6-7 billion euros (about \$9 billion) between 2007-2020 to build the tunnel. EU countries have until July 20 to respond to the EU's offer to fund 30% of 30 identified infrastructure projects.

But the EU Commission's officials said that it was unlikely Italy would get an exception, because that would open a "Pandora's Box," in the Commission's green-eyeshaded view, for other nations to buck the rules.

Denmark Responds to German Foot-Dragging on Bridge

May 30 (EIRNS)—At the recent meeting between Danish Prime Minister Anders Fogh Rasmussen and German Chancellor

Angela Merkel, it was announced that a decision about whether to proceed with the Fehmarn Belt Bridge, connecting Copenhagen to the German mainland, will be made by the end of July.

In response to German foot-dragging and a PPP (public-private partnership)-model proposal, transportation spokesmen for three Danish political parties came out with new proposals today, by which Denmark would guarantee a larger share of the financing. The Danish Liberal Party wants Denmark to offer to stand behind three-quarters of a state-guaranteed loan, and Henriette Kjaer, from the Conservative Party, wants to offer 100% Danish financing. "We think that it will be a very attractive connection. Therefore, we are ready to finance 100% of the bridge," said Kjaer.

Russia and the CIS News Digest

Putin Warns of New Global Showdown

May 31 (EIRNS)—Russian President Vladimir Putin said at a press conference in Moscow May 31, that tests of new Russian missiles were a response to the planned deployment of U.S. missile defense installations and other forces in Europe, suggesting that Washington has triggered a new arms race. He harshly criticized "imperialism" in global affairs, and warned that Russia will strengthen its military potential to maintain a global strategic balance. "We were not the ones who initiated a new round of the arms race," Putin said, just after holding talks with Greek President Karolos Papoulias. Two days earlier, Itar-Tass reported, the Russian President had told another European guest, Prime Minister Jose Socrates of Portugal, that the deployment of the U.S. missile defense elements in Europe was "turning the continent into a tinderbox,"

Putin described Russia's May 29 test of the new RS-24 intercontinental ballistic missile, capable of carrying up to ten warheads that can be retargeted during flight, and of a new cruise missile, as part of the Russian response to the planned deployment of new U.S. military bases and missile defense sites in former Soviet satellites in Central and Eastern Europe. He assailed the United States and other NATO members for failing to ratify an amended version of the 1990 Conventional Forces in Europe (CFE) treaty, which limits the deployment of heavy non-nuclear weapons around the continent.

"We have signed and ratified the CFE and are fully implementing it. We have pulled out all our heavy weapons from the European part of Russia to behind the Ural Mountains, and cut our military by 300,000 men," Putin said. "And what about our partners? They are filling Eastern Europe with new weapons. A new base in Bulgaria, another one in Romania, a [missile defense] site in Poland, and a radar in the Czech Republic," he said. "What we are supposed to do? We can't just sit back and look at that." Putin and other Russian officials have repeatedly rejected U.S. assurances that the planned missile defense installations are meant to counter a potential threat from nations such as Iran, and pose no danger to Russia. Putin reaffirmed his warning that Russia would opt out of the CFE treaty altogether if NATO nations fail to ratify its amended version.

Putin described the tests of new missiles conducted by Russia on May 29 as a necessary response to the Western action. "There is no reason to fear these actions by Russia; they aren't aggressive. It's merely a response to tough and unfounded unilateral actions by our partners," he said. "These actions are aimed at preserving a global balance. We will keep modernizing our potential," Putin said.

Russian 'New Physical Principles' Missile Defense Is Back

June 1 (EIRNS)—The Soviet Union was developing the technology for space-based orbital military systems, from the 1950s up through the late 1980s, and the "concept is still there, and Russia can take it off the shelf anytime," wrote Novosti political commentator Andrei Kislyakov in a two-part commentary titled "New Wars Require New Weapons," published

May 24 and 31. Kislyakov reviewed the history of Soviet anti-missile defense. He wrote that space-based assault weapons include ICBMs placed in a "staging orbit," anti-satellite missiles, directed-energy weapons, and electronic weapons. Such weapons "allow comprehensive control over the Earth's surface. The appearance of permanent manned military stations in near-Earth orbit is only a matter of time." While space stations will not be developed in the near future, "automatic systems equipped with weapons based on new physical principles" will be. There is evidence, Kislyakov wrote, "that a system has already been sent into space equipped with missiles and lasers capable of destroying satellites in low, medium, and stationary orbits."

He reviewed the political infighting in the Soviet Union over development of these systems, including the roles of Nikita Khrushchov, Yuri Andropov (who was the greatest opponent of the Strategic Defense Initiative proposed by Lyndon LaRouche and adopted by President Ronald Reagan in 1983), and Mikhail Gorbachov.

In 1957, when the Soviets successfully launched their ICBM and first man-made satellite, the military was actually "concentrated on launching a new fundamental anti-satellite project and developing an anti-missile defense." The ABM was the first to appear, from a project led by Grigory Kisunko, who initiated the concept of "triangulation" to coordinate ballistic targets and interceptor missiles. But the ABM systems were pushed aside, because of the development of the anti-satellite program, led by Vladimir Chelomey. When the U.S. U-2 spy plane was shot down over the Soviet Union in 1960, the Soviets assumed that the United States would rely on spy satellites, and Chelomey urged the government of Khrushchov to abandon the ABM project. Khrushchov, Kislyakov wrote, "was an impulsive leader. His actions repeatedly brought the world to the brink of war and his homeland to the verge of economic collapse."

Despite this, the Soviets continued to develop both killer-satellites and an ABM system—unfortunately, separately. Moscow also "set itself the aim of developing an unparalleled combat space station with anti-satellite lasers. In August 1983, then-Soviet leader Yuri Andropov made a sensational announcement that the country was stopping all work on space-based weapons. But the Salyut design bureau continued working in great secrecy on a military space station code-named Skif." There was an attempt to launch a combat-ready model of the Skif in May 1987, but the launch failed. "After this setback, Mikhail Gorbachov, architect of *perestroika*, decided to give up on the Skif," Kislyakov wrote. "However, the concept of orbital military systems is still there, and Russia can take it off the shelf anytime."

Lugovoy: British MI6 Behind Litvinenko Murder

May 31 (EIRNS)—Andrei Lugovoy, wanted in Britain in connection with the murder of Alexander Litvinenko, said at a Moscow press conference today that London exile Boris Berezovsky was the likely murderer, and that he had proof of British Intelligence involvement in the murder, according to RIA Novosti and Reuters. Lugovoy said that both Litvinenko and Berezovsky worked for MI6 (British foreign intelligence). Of the three hypotheses on who killed Litvinenko: MI6, Russian mafia, and Berezovsky—Lugovoy said, "The third theory looks the most likely to me. I am talking about Boris Berezovsky, who is well known as an outstanding master of political intrigues." Novosti added that he said he could prove the British secret services' involvement.

"I am very serious about what I am saying, including these accusations," Lugovoy said. Lugovoy said he, himself, had been asked to become a British agent, too. "The British basically proposed that I collect any materials to discredit [Russian President] Vladimir Putin and his family," Lugovoy said, according to Novosti. "Today I would like to make an announcement, which should shed some light on this dark political story, where the main roles were played by the British secret service and their agents Berezovsky and the late Litvinenko." He quoted Litvinenko telling him that he had been the first to be recruited by the British secret services.

"I cannot get away from the thought that Litvinenko was an agent who had gone out of control and they [MI6] got rid of him," Lugovoy said, according to Reuters. Asked whether he had firm proof of British intelligence involvement in the

murder, Lugovoy defiantly replied: "Yes!" Lugovoy also alleged that Litvinenko had obtained compromising material which could jeopardize Berezovsky's political refugee status, and claimed that this could have provided a motive for his murder.

Election Schedule Deal Cools Ukraine Crisis

May 27 (EIRNS)—An agreement reached between Ukrainian President Victor Yushchenko and Prime Minister Victor Yanukovich early this morning narrowly averted the outbreak of open clashes between divided security forces, loyal to each of the two political figures. They decided to hold new parliamentary elections in September, rather than a snap election as decreed by Yushchenko. The crisis had intensified towards civil war dimensions on May 25, as Yushchenko ordered Internal Affairs Ministry troops to be transferred to his personal command. When the Interior Minister refused, Yushchenko ordered the troops into the capital of Kiev. According to news wire reports, police forces stopped the troops, under a government (Prime Minister's) order to stop the deployment.

While Yushchenko said May 27 that "the political crisis in Ukraine is over," the continuing push from London and from Dick Cheney's circles in the U.S. for confrontation with Russia portends further destabilizing pressure on Ukraine from the West.

NK-Russia Rail Link To Help Complete Land-Bridge

May 28 (EIRNS)—North Korea and Russia have signed a memorandum of intention on the reconstruction of a railway section, from the Russian border station Hasan to the North Korean port of Rajin, a Russian radio station reported May 27. The rail connection is central to the revived Tumen River Project, involving North Korea, Russia, Mongolia, China, and Japan. It will also facilitate a future link from the Trans-Siberian Railway to the Trans-Korean Railway (TKR), which connects North and South Korea, finally opened this month after 50 years). In late April, representatives of the Russian Railways (RZD) and North Korea's Ministry of Railways signed the deal at the end of the four-day talks held in Pyongyang, Voice of Russia said. The Russian delegation was headed by Alexei Mersiyanov, an RZD vice president for economic activities, while Deputy Railways Minister Kim Chol led the North Korean delegation.

Southwest Asia News Digest

UN Security Council Overrides Lebanese Sovereignty

May 31 (EIRNS)—With five of 15 members abstaining, the United Nations Security Council on May 30 approved the establishment of a special international court to try suspects in the murder of former Lebanese Prime Minister Rafik Hariri. Refusing to support this U.S.-British-French-backed initiative were Russia, China, South Africa, Indonesia, and Qatar.

"Establishing the tribunal by a unilateral decision of the UN Security Council damages Lebanese sovereignty," Vitaly Churkin, Russia's UN envoy, was quoted by Novosti. He added that, although "we believe the perpetrators of that crime must be prosecuted," the Security Council's move is "dubious" from the standpoint of international law.

The UNSC "cannot be seen to be taking sides in internal Lebanese politics," Dumisani Kumalo, South Africa's UN Ambassador, told the Council. He spoke of the danger that the Council's "imposition" of the court on Lebanon's divided political leadership would undercut "the political stability of an already fragile Lebanese state."

Amb. Nassir Abdulaziz al-Nasser of Qatar, the only Arab member of the Security Council, said he feared the ruling "would not bring stability in Lebanon," and involved "legal encroachment that may further complicate the situation."

Syria's Amb. Bashar Jaafari is quoted by the official Syrian Arab News Agency charging that the tribunal "violates Lebanese sovereignty." Jaafari added, "Those who were behind such a resolution would assume the consequences, but definitely this is something that goes against the interests of the Lebanese people and Lebanon as a whole."

In fact, the Lebanese government of Prime Minister Fouad Siniora could not get the ratification of a tribunal through the parliament, which has now been given until June 10 to ratify the tribunal; if it does not, the UN may act unilaterally. That the resolution was adopted under the UN Charter's Chapter 7, which refers to breaches of the peace and aggression, is an open provocation, since it has yet to be shown that any foreign power was behind the Hariri murder. Furthermore, Chapter 7 opens the way for the UN to impose economic and political sanctions, and even use military force, against any who do not cooperate with the tribunal. Thus, if Syria should refuse to extradite one of its citizens, should any be indicted or subpoenaed, it could be targeted for sanctions and even military action.

U.S. Arms To Lebanon: Who Is Getting Them?

May 27 (EIRNA)—*EIR* investigators are probing the ongoing destabilization of Lebanon, and are finding increasing evidence that the Dick Cheney-Elliott Abrams apparatus inside the Bush White House may be wilfully fueling a new civil war, pitting Sunni Islamists against Hezbollah.

Eyewitness accounts provided to *EIR* sources indicate that the Fatah al-Islam group, which has been engaged in a showdown with the Lebanese Army inside a Palestinian refugee camp near the northern Lebanon city of Tripoli, has been financed and armed by Saudi Arabia, and by Saad Hariri, the son of slain Lebanese Prime Minister Rafik Hariri, with the backing of the Cheney-Abrams circles in Washington. According to these sources, the Fatah al-Islam is a Taliban-like grouping of Salafi Islamists, who earned the hatred of many people inside the Palestinian refugee camp, for attempting to impose harsh Islamic law. Reportedly, the vast majority of the estimated 300-400 members of the group are not Palestinian, but came into Lebanon from Saudi Arabia, Yemen, North Africa, and other parts of the Muslim world.

Since May 24, a total of eight cargo planes full of military equipment have arrived in Beirut, ostensibly to boost the Lebanese Army. Four of the planes came from the U.S. Air Force, two from the United Arab Emirates, and two from Jordan, according to the *Washington Post*.

Sources on the ground in Lebanon are perplexed over the massive military resupply effort, given the small size of Fatah al-Islam, and given that under a 1969 treaty, the Lebanese Army cannot enter the Palestinian camps, which are considered to be sovereign Palestinian territory. Groups like Fatah al-Islam, according to sources, have proliferated in the eight Palestinian refugee camps in Lebanon, since the Israeli military assaulted the Palestinian Authority during the period of Prime Minister Ariel Sharon and the first George W. Bush Administration. The destruction of the Fatah/PLO infrastructure contributed to the ungovernability inside the PLO-administered camps in Lebanon, and created the opportunity for the fundamentalist gangs to emerge, sources emphasized to *EIR*. At that point, the Hariri grouping, along with Saudi businessmen and princes, with the blessing of Saudi Prince Bandar, began arming and funding groups like Fatah al-Islam, to create what one senior U.S. intelligence official described as a "Saudi-controlled asymmetric warfare capability, to challenge Iran."

The massive arms shipments into Lebanon over recent days have raised serious questions, according to Arab sources contacted by *EIR*, about where the arms are actually going: to the Lebanese Army, or to the Sunni countergangs and the private militias of Saad Hariri? Sources also warn of a humanitarian nightmare, with tens of thousands of Palestinians fleeing the refugee camp, in the wake of artillery barrages targeting the Fatah al-Islam enclaves inside the sprawling facility.

Cheney Cabal Wants To Overthrow Iraqi Prime Minister

May 29 (EIRNS)—A Washington plan to overthrow Iraqi Prime Minister Nouri al-Maliki was put "on hold" about three weeks ago, after it was decided that the scheme to replace him with the former occupation-installed Premier Iyad Allawi would not work, reported an Egyptian-based intelligence source.

But, the plan is favored by its patron, Vice President Dick Cheney, and his closest ally in Saudi Arabia, the former ambassador to the U.S., Prince Bandar bin-Sultan, known as the "Saudi neo-con." The reason for the delay is that there is no force in Iraq that is capable of enforcing Cheney's "new order," and the U.S. is frantically trying to build up an Iraqi internal security apparatus that could do the job.

Cheney's lack of support for al-Maliki complicates and undermines the U.S.-Iran-Iraq talks which took place on May 28 between U.S. Ambassador to Iraq, Ryan Crocker and Iranian Ambassador to Iraq, Hassan Kazemi, said the source, whose assessment is that Cheney is totally committed to a military attack on Iran, but has met intense opposition from the U.S. military. Ahead of Cheney's visit to Saudi Arabia, on May 11, the *Washington Post* played up the Saudi opposition to al-Maliki, a Shi'ite, who has not eased any of the discrimination and mistreatment of Sunni Muslims in Iraq under the U.S. occupation's "de-Baathification." In order to enlist Saudi support for an attack on Iran, Cheney had promised more "rights" for Sunnis in Iraq, but has failed to deliver.

On May 30, al-Maliki himself told CBS News that there is a real threat of a military coup against him by the Iraqi army. Al-Maliki said that some of the officer corps "are making problems; sometimes they even violate the security of military operations." And he added: "I'm not afraid, but I have to watch the army, because those still loyal to the previous regime may start planning coups. Those people don't believe in democracy, and for that reason we are monitoring the status of the army very closely."

Turkish Army Chief Indirectly Attacks Cheney as Terrorist Sponsor

June 1 (EIRNS)—"There are countries directly and/or indirectly supporting PKK [Kurdish separatist] terrorism, among our allies," said Turkish Chief of Staff General Yasar Buyukanit during an international symposium in Istanbul on security on May 31. As reported in the *New Anatolian*, Buyukanit didn't mention any country by name, but he said that terrorism against Turkey is "supported by those who give us lessons on human rights." The *New Anatolian* concludes that the general was talking about certain NATO countries, but fails to mention the obvious: that the Kurdish separatists have been the darlings of Dick Cheney and the neo-cons.

Buyukanit continued: "Countries use a double standard in combatting terrorism, and turn a blind eye to activities of persons or organizations that do not stage terrorist attacks on their own territories." He also criticized NATO for turning a blind eye to the manipulation by ethnic separatism aimed at dismantling nation-states: "Some of our allies focus on terrorism stemming from fundamentalist trends. Actually, terrorism cannot be defined in this way. Terrorism is also fed by separatist nationalist tendencies. This kind of terrorism is as dangerous as the first one. However, some countries consider such kind of terrorism a domestic problem. This is an extremely dangerous approach since it seriously hampers the fight against terrorism.... The ethnic nationalist fascist terrorist organization PKK is an example of this."

Buyukanit also opposed the American move to hand over the security responsibilities of northern Iraq to the Kurdistan Regional Government in Erbil, saying: "Such special status for the Kurds is noteworthy, and we feel is inappropriate." However, the general denied that there is any military build-up in southeastern Turkey by Turkish Armed Forces on the border with Iraq. He said these reports are false and harmful. Buyukanit had said at a press conference on April 12 that there is a need for a cross-border operation into the North of Iraq against PKK bases.

Was Israel Behind Entebbe Hijacking?

June 1 (EIRNS)—Recently released British Foreign Office documents revealed that at least one source claimed Israel was behind the 1976 hijacking of an Air France airliner by the Popular Front for the Liberation of Palestine (PFLP). This led to the famous Entebbe raid to free the hostages in Uganda, by the Israeli army. The purpose of this operation, said the source, was to prevent the growing rapprochement between the Palestine Liberation Organization (PLO) and the United States.

According to a June 1 BBC report, the document was written in the midst of the crisis on June 30, 1976, by David Hugh Colvin of the British Embassy, who received the information from one of his sources.

"According to his information," Colvin wrote, "the hijacking was the work of the PFLP, with help from the Israeli Secret Service, the Shin Bet." He add, "The operation was designed to torpedo the PLO's standing in France and to prevent what they see as a growing rapprochement between the PLO and the Americans. My contact said the PFLP had attracted all sorts of wild elements, some of whom had been planted by the Israelis."

The only Israeli soldier killed was Jonathan Netanyahu, the brother of Benjamin Netanyahu. Three hostages died, as did up to 20 Ugandans. All the hijackers were killed in the Israeli attack that freed the hostages at Entebbe airport, so no evidence was left behind.

David Hugh Colvin was a professional foreign service officer and former British Ambassador to Belgium. In 2004 he was one of 52 former British Ambassadors and foreign service officers who signed an open letter critical of British Prime Minister Tony Blair's Iraq policy.

Asia News Digest

Hong Kong Monetary Chief Fears U.S. Dollar Collapse

May 29 (EIRNS)—The Hong Kong Monetary Authority (HKMA) has warned about the dangers posed to the world financial system by the vulnerabilities of the U.S. economy, in a statement yesterday, the *Hong Kong Standard* reported. "A sudden and sharp depreciation of the U.S. dollar, the disorderly unwinding of global imbalances and a spillover of U.S. housing market weakness are external risks to the currency stability in Hong Kong. Financial instability and volatile capital flows are induced by an increased risk aversion of market participants and higher market volatility and the destabilizing activities of hedge funds," HKMA chief executive Joseph Yam Chi-kwong said in a report to the Hong Kong Legislative Council Panel on Financial Affairs.

Yam's warning points to those made by Lyndon LaRouche for two years against those bankers, elected officials, and economists who want to force China's currency dramatically upward; they are driving for a global dollar collapse and financial chaos. The HKMA recently decoupled the Hong Kong dollar from China's yuan, according to Yam, and kept it pegged to the U.S. dollar, though it has slid to the 22-year low end of its range against the U.S. dollar. Meanwhile, he said, the value of China's yuan has actually already risen 7% in two years. Now he is warning about "an asset bubble in China"; but clearly, Yam's real worry is of a U.S. dollar collapse and "an interest rate shock," with China tightening and raising interest rates even as the dollar plunges.

While Yam maintained that the economy of Hong Kong itself is "normal," he had warned in February, that efforts in Beijing to control liquidity and China's enormous trade surplus, means that "the economy may be faced with consequences beyond imagination, eventually."

Hong Kong, although only a "special zone" of China, has the eighth-highest amount of foreign exchange reserves in the world, \$137 billion, more than either Germany or Brazil.

China To Increase Ratio of Euros in Forex Reserves

June 1 (EIRNS)—The Chinese government will increase the ratio of euros in its huge foreign exchange reserves, but has no plans to reduce the proportion of U.S. dollars, which make up the vast proportion of the reserves. The decision to buy more euros would be based on the value of the currency [which has been rising steadily against the U.S. dollar] and stable EU economic growth, Wu Xiaoling, a vice governor of the People's Bank of China, said during an economic forum in Brussels on May 31. Although it is not officially stated, it is unofficially reported that some 70% of China's reserves are in U.S. dollar assets, including U.S. Treasuries.

Wu Xiaoling also emphasized that China would focus on developing its internal consumption and living standards, to bring its huge trade surplus into better balance. China will also gradually increase the flexibility of the yuan exchange rate, but as a secondary measure, she said. "If we intend to solve the problem of imbalanced trade, we will first increase the flexibility of the yuan exchange rate, but that will not be the main means." Among other measures, China must improve its social security networks.

Wu also said that the stock market is expanding too rapidly, which regulators want to stabilize. "If the stock market can't operate smoothly, then investors' confidence will be hurt and their consumption will be affected," she said.

LaRouche Supports Fukui on Hedge Fund Controls

June 1 (LPAC)—Lyndon LaRouche expressed his full support for the call last week by Bank of Japan governor Toshihiko Fukui to impose new regulations on hedge funds, but went further to insist that "the very existence of hedge funds is insane," and that they should be eliminated altogether. Noting that the Japanese have revealed over the past month that the yen carry trade has been driven by hedge fund speculators (see http://www.larouchepac.com/pages/breaking_news/2007/05/22/japan_daily.shtml), LaRouche added that it is time for Japan to "end the carry trade altogether, and raise interest rates to international levels." LaRouche said that every time Japan postponed raising rates, for fear it would undermine the international financial system, that system simply got worse.

Forbes.com reported May 25 that Fukui had warned the Japanese Diet that direct controls by governments of the hedge funds is nearly impossible, because they are often registered in off-shore tax havens (see http://www.larouche.com/other/2007/3410caymans_hedges.html, "London's Cayman Islands; The Empire of the Hedge Funds"). International controls are therefore required, Fukui concluded, adding that the hedge fund method of leveraged borrowing must be traced in order to "grasp the whole picture," calling the hedge funds "close to a virtual world." He warned that the hedge funds have greatly increased the risk to the global system, and that this risk "could be explosive."

India To Upgrade Communication Links with Myanmar

June 1 (EIRNS)—To upgrade its telecommunication links with Myanmar, Indian state-owned Bharat Sanchar Nigam Limited (BSNL) and the Telecommunication Consultants India Limited (TCIL), will lay fiber optic cables from India's Northeastern border state of Manipur, BSNL officials said.

The network of the land-line project will begin in Imphal, capital of Manipur, and connect to Moreh on the border. And in Myanmar, about 500 km will be connected, commencing from the Myanmar border town of Tamu to Mandalay, the second-largest city in central Myanmar, BSNL officials said.

New Delhi's decision to enhance infrastructural linkage with Myanmar is strongly opposed by Western nations—the United States and the United Kingdom, in particular. However, India, which is now rebuilding the Stilwell Road to link southern China with India through Myanmar, considers stronger bilateral relations with Myanmar as a necessary step in its land-linkages with Southeast Asia.

Mongolian Leader Visits South Korea

May 29 (EIRNS)—Korea's Yonhap news agency reported that Namar Enkhayar, the head of state of Mongolia, was recently in South Korea. Namar expressed support for South Korea's engagement policy with North Korea, and noted that rail links between the North and South Korea, and passing through Mongolia, will be beneficial for the development of Mongolia.

Namar said that "particularly if the railroad relinking project moves forward, it is expected to pass through Mongolia. That will make great contributions to the development of both economies."

Housing Bubble, Yen Carry Trade Threaten S. Korean Economy

May 30 (EIRNS)—The housing bubble and a heavy reliance on overseas borrowing—notably, the yen carry trade—can lead to an economic crisis in South Korea, according to an assessment given by South Korea's Economics and Finance Minister Kwon O-kyo.

Yonhap reported that Kwon O-kyo said that, "A sudden housing price plunge is one of major risks that could arise within South Korea." Kwon then expressed fears about the rapid rise of the South Korean won to the U.S dollar.

Last year, the won rose 9% against the dollar. Kwon attributes this to short-term overseas borrowing. Kwon added that "a sudden liquidation of the yen carry trade is another risk factor for the Korean economy." In recent months, the South Korean government had been side-stepping the issue of the yen carry trade having a grave influence on the South Korean economy.

Africa News Digest

Bush Increases Sanctions Against Sudan

May 29 (EIRNS)—President George Bush's bolt-out-of-the-blue announcement of unilateral U.S. economic sanctions against Sudan this morning, on charges of "complicity" in atrocities in Darfur, erupted despite the *success* of continuing joint efforts at humanitarian relief and peacekeeping by UN Secretary-General Ban Ki-moon, and members of the United Nations, working with Khartoum over recent months. Sudan had accepted the Phase II UN hybrid deployment of 3,000 troops. A Security Council delegation was planned to go to Sudan in mid-June to review the situation.

South Africa's Ambassador to the UN, Dumisani Kumalo, told press in New York, "Right now, the surprising thing was that we were thinking the government of Sudan was now beginning to take the right actions and agree to what we were going to do."

Russian Ambassador to the United Nations Vitaly Churkin said of Bush's unilateral moves, after a closed-door Security Council meeting at the UN, "To my mind it's a departure from the current common strategy of the Secretary General and the Security Council. If the overall strategy is changed, what is the role of the Security Council?"

In Beijing today, Liu Guijin, China's acting envoy on Darfur, said that, "Expanding sanctions can only make the problem more difficult to resolve."

Bush's new sanctions are focussed on 30 companies, doing business in, or with, Sudan; five of them are major oil operations. What this means, in effect, is that the new anti-Sudan sanctions package targets directly the peacekeeping measures already achieved. Since sharing national oil revenues half-and-half, between Khartoum and the South, is a contingency of the historic peace agreement signed recently between these two groupings, now the South will be deprived of its income.

Bush gave notice today that Secretary of State Condoleezza Rice is to prepare a UN Security Council resolution to impose additional punitive measures on Sudan. France has given support. The U.S. and Britain are considering a no-fly zone, an arms embargo over the whole country, and other military action.

Sudanese Foreign Ministry spokesmen have denounced the sanctions. Interviewed on CNN today, Sudan's Amabssador to the United States John Ukec Lueth Ukec said that the international community should be pressuring rebel groups that have not signed the November peace accord, not attacking Sudan.

Sarkozy Itching To Help Dismantle Sudan Government

June 1 (EIRNS)—French Foreign Minister Bernard Kouchner has said the Darfur crisis—which he is blaming on the Sudan government—will be a top priority of his time in office, according to a May 31 Sudan Media Center report which cited AFP. On May 29, the same day that George W. Bush added 30 companies to a U.S. sanctions list, a French Foreign Ministry spokesperson said that Kouchner wants to militarily establish a corridor from Chad, a former French colony, into Sudan to aid civilians, a May 29 Reuters wire reported. Such corridors could be used to supply anti-government rebels in Sudan as well. Kouchner is attempting to get the G-8 group of industrial nations to support this outlook. Germany will host the 33rd G-8 summit in Heiligendamm June 6-8.

On May 9, the U.S. State Department announced it wants French President Nicolas Sarkozy to play an important role in Darfur, particularly in a no-fly zone, according to the Yemen *Observer* on May 29. The *Observer* reports that, "Sarkozy is expected to be more aggressive as he is also gearing towards more coordination with Washington" in Darfur, where he has called for "urgent" action.

The *New York Times* May 31 said that Sarkozy is willing to participate in applying escalating pressure on Sudan "that would eventually involve the threat of force by a coalition of the willing—no invasion and occupation, but a no-fly zone and perhaps a blockade." The *Times* notes that the U.S. military is reluctant to even plan for such contingencies, but ominously adds: "The French may now be more willing to act ... in Darfur than is the Pentagon."

African Union Rejects UN-Led Military Force in Sudan

June 3 (EIRNS)—The African Union has objected to a UN proposal issued May 24, for the creation of a joint AU-UN peacekeeping force in the Darfur region of Sudan, because the UN would be in charge of the operation, according to an AP release yesterday, based on UN diplomatic sources. The AU is insisting on joint control of the peacekeeping force with the UN, because it does not want to establish a precedent for non-African nations to intervene in African conflicts via the UN, since anti-government groups in African conflicts are often backed by interests from outside the African continent.

The AU wants material assistance from the UN for its 7,000 peacekeepers in Darfur, but wants to have an equal part, with

the UN, in controlling the joint force, so as prevent outside powers, operating through the UN, from creating Iraq-style interventions in Africa. Last November, Sudanese President Omar Hassan al-Bashir agreed to a joint, or hybrid AU-UN force to strengthen the AU's peacekeeping force, as long as it was jointly controlled.

Since the election of Nicolas Sarkozy as President of France, the AU's concern has increased. *Libération* newspaper reported May 31 that Paris had approached European Union partners about planning and taking part in an EU-led force of between 3,000 and 12,000 troops into Sudan's neighbor Chad. French Foreign Ministry deputy spokesman Denis Simonneau said any force in eastern Chad could include French troops with the support of other EU nations and the United Nations. He added that initial discussions had already been held in Brussels, headquarters of the EU. French Foreign Minister Bernard Kouchner has also sounded out G-8 colleagues about creating aid corridors into Darfur. Simmoneau confirmed France was planning to host a meeting of foreign ministers from the G-8 countries plus China at the end of June to discuss the Darfur crisis further. G-8 leaders are also expected to discuss Darfur when they meet in Germany June 6-8.

Sudan Vice President: 'Sanctions Will Not Solve Darfur Problems'

June 3 (EIRNS)—Sudanese Vice President Salva Kiir Mayardit said May 31 in Oslo, that U.S. sanctions imposed on Sudan will do nothing to help bring peace to the Darfur region, and will only hurt people in other parts of the country, according to a Sudan *Tribune* release today. Kiir, who is also president of the southern Sudan region, said his Sudan People's Liberation Army and the Sudan government are working on a solution, and that sanctions "will not solve the problems in Darfur." He pointed out that "southern Sudan will be hit first because its only income comes from oil."

After years of fighting the Muslim-dominated government of northern Sudan, the people of southern Sudan formed an autonomous region as part of a 2004 peace agreement. Even though Darfur is far from southern Sudan, southerners carry sway there because they also oppose the Khartoum government.

Kiir met Norwegian Foreign Minister Jonas Gahr Stoere and Aid Minister Erik Solheim in Oslo. Norway helped mediate the 2004 peace accord between the North and South. Solheim was in Sudan last week to discuss southern Sudan and Darfur with Sudanese leaders.

Kiir said leaders of Darfur anti-government groups are supposed to come to southern Sudan in mid-June to discuss peace efforts, and that talks should last about a week.

Conference To Survey Security Threats in Africa

June 3 (EIRNS)—The fourth conference of the Committee of Intelligence and Security Services of Africa (CISSA), which began yesterday in Khartoum, according to a release from the Sudan *Tribune*, will include a comprehensive survey of security threats in Africa. The CISSA is affiliated with the African Union's Peace and Security Council, which has played a major role in recent years in addressing the current problems in Darfur, Somalia, and the Ivory Coast.

The CISSA was established in August 2004 in Abuja, Nigeria, to fill a void in the continental security architecture on intelligence matters. It was born out of the compelling need to assist the African Union (AU) to deal effectively with multifaceted intelligence and security challenges confronting the continent.

The theme for the Khartoum meeting is "Towards enhanced stability, peace and security in Africa." The 54 African security and intelligence delegations attending the conference will visit Juba, in southern Sudan, and Darfur, in order to inspect the implementation of peace in these regions and visit the African peacekeeping forces in Darfur, according to the *Tribune*.

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