

[return to home page](#)

[Breakthrough in U.S-Russian Relations?](#)

[LaRouche's SDI Proposal Is Back on the Table!](#)

[by Helga Zepp-LaRouche](#)

At the so-called "Lobster Summit," held at the Bush family's vacation site in Kennebunkport, Maine, a potentially very positive development occurred. In the presence of the former President George H.W. Bush Sr., Russian President Vladimir Putin presented the current President Bush a proposal which could change the relationship between the U.S.A. and Russia, away from the current escalation and back to a basis of strategic cooperation. At their joint press conference, Putin presented the same proposal he made at the June G-8 Summit in Heiligendamm: to use the current "Gabala" radar station in Azerbaijan as a mutual Russian-American missile defense system, instead of the system planned by the U.S.A. in Poland and the Czech Republic....

Lyndon LaRouche has emphasized the enormous potential which this proposal contains....

[\*In-Depth articles from Vol. 34, No. 28\*](#)

[...Requires Adobe Reader®.](#)

## From the Managing Editor

[\*\*We are at one of those delicate turning points in history right now,\*\*](#)

at which the world could undergo a positive strategic shift of historic proportions —provided that certain people muster up the courage to do what has to be done.

## Feature

[\*\*Breakthrough in U.S.-Russian Relations?\*\*](#)

[\*\*LaRouche's SDI Proposal Back on the Table!\*\*](#)

The meeting among Russian President Vladimir Putin, former U.S. President George H.W. Bush, and President George W. Bush in Kennebunkport on July 2 may provide the key for a new era in U.S.-Russian relations that will benefit the whole world.

[\*\*Patriotism in Brief: The Rebirth of Our Nation!\*\*](#)

'While there are no guarantees, the outcome of that [Kennebunkport] meeting could prove to be hopeful, if the right selection of both Democratic and Republican leading figures agree to view this opportunity in just the right way,' writes **Lyndon LaRouche** in an Independence Day statement.

[\*\*Clinton in Yalta: 'Like Reagan, I Talked to Russia About Sharing Anti-Missile Technology'\*\*](#)

[\*\*The Long Road to U.S.-Russian Missile Defense Cooperation\*\*](#)

## **The Road to Kennebunkport**

## **The Strategic Importance of the U.S.-Russian Nuclear Agreement**

- **Documentation: 'Text of Declaration on Nuclear Energy and Non-Proliferation.'**

## **President Putin: Talks Were 'Very Meaningful'**

## **LaRouche in 1982: Develop Beam Weapons To Stop Nuclear Threat**

# National

## **LaRouche to Hillary: Take the Lead in Cheney Impeachment Now**

'If Hillary Clinton were to step forward to issue a clarion call for the immediate impeachment of Vice President Dick Cheney, she could win the Presidency by acclamation,' said Lyndon LaRouche on July 13.

## **Kennebunkport, the BAE Scandal, and the Need To Get Cheney Out Now**

Lyndon LaRouche was interviewed on the Jack Stockwell Show on K-Talk radio in Salt Lake City on July 9.

# Economics

## **It's Banco Santander vs. the Bank of the South**

The international financial oligarchy is desperate to stop the cooperative development bank being created by the nations of South America, even before it opens its doors.

## **'Danish Bridge' to Germany To Be Built**

Germany and Denmark have finally signed an agreement to build a bridge between the two countries across the Fehmarn Belt in the Baltic Sea. The LaRouche movement has been campaigning for the project since 1980.

## **Alaska-Canada-USA Rail Link Proposed**

A feasibility study for a first-ever rail line linking Alaska with the rest of the North American continent has been issued. But the design and motivation for the project stem from plans for further globalization.

## **Ethanol Slavery Found on Brazil Plantation**

# International

## **Behind the U.K. Terror: Her Majesty's Rushdie Provocation**

The knighting of novelist Salman Rushdie by Queen Elizabeth II was a deliberate act to provoke the Islamic world.

## **Sudan Development Initiative To Counter Destabilization Campaign**

Do those who have been supporting the rebels want to solve the problem in Darfur, or are they only interested in attacking the Sudan government?

### **LaRouche to Italian Senate Committee:**

#### **A Strategy to Defend the Nation-State**

Lyndon LaRouche testified before the Defense Committee of the Italian Senate on June 5, as part the Committee's 'Investigation of the Present State and Perspectives of the Defense Industry and Cooperation on Armaments.'

## **Science**

### **On the Determination of the Orbit of Carl Gauss**

Part II of a series by the LaRouche Youth Movement's 'Basement Team' researching the discoveries of Carl F. Gauss. A new problem: to rediscover, independently of any aid from Gauss himself, Gauss's discovery of the orbit of the asteroid Ceres. Gauss appears as a ghostly figure behind a smokescreen; he does not lay out his mind, transparently, before the reader—in fact he even throws up false signals at times to throw him off the trail! But clues can be found in examining the 'orbit' in which Gauss himself travelled.

## **Departments**

### **Banking**

#### **What Integrity?**

## **In Memoriam**

### **Academician D.S. Lvov: Economist and Patriot.**

## **Editorial**

### **A Point of Hope, and of No Return**

## **U.S. Economic/Financial News**

### **Candidates Weigh In on Hedge Fund Tax Loophole**

July 14 (EIRNS)—The push to fix a Federal Tax Code loophole that benefits financiers at the expense of ordinary workers, is gathering steam, as Democratic Presidential candidates weigh in on the side of reform.

Following former Sen. John Edwards' endorsement on July 8 of tax reform legislation introduced last month by Sens. Max Baucus (D-Mont.) and Charles Grassley (R-Iowa), other candidates have decided to follow suit. On July 12, Sen. Barack Obama (D-Ill.) signed on to the Baucus-Grassley bill as a co-sponsor, while Sen. Hillary Clinton (D-N.Y.) jumped on board the very next day, blasting the tax loophole which allowed "an investment manager making \$50 million" to "pay a

lower tax rate on her earned income than a teacher making \$50,000 pays on her income," according to Reuters, July 13.

The bill as introduced focuses on one loophole which allows hedge-fund managers and similar partnerships which go public, to only pay 15% capital gains tax on a large portion of their earnings defined as passive investments, instead of the normal 35%; but Senator Baucus says of the legislation, "I'm looking at it all. This is all very preliminary. I'm nowhere close to knowing what we should do and should not do."

## **Dam Breaking on Subprime Mortgage-and-Securities Bubble**

July 10 (EIRNS)—After the markets closed July 10 (well down), Moody's Investors Service announced that it was cutting the credit ratings on \$5.2 billion in bonds backed by subprime mortgages. The move affects 399 CDO (collateralized debt obligation) bonds, all of which were issued just last year.

This announcement followed a similar one made this morning by Standard & Poors, that they are set to cut credit ratings on \$12 billion worth of bonds, and are considering a much larger re-rating of their portfolio. The bonds under review by S&P represent a mere 2.1% of the \$565.3 billion of similar bonds rated by them during 2006, but is four times the \$3 million worth of bonds which they have already subjected to downgrading. In addition, S&P has put the entire class of CDO bonds, representing 612 classes of residential mortgage-backed securities, on a "Credit Watch" with negative implications. S&P, Moody's, and other "respected" ratings agencies, such as Fitch, have come under fire recently for underestimating the actual risk potential of these bonds, some of which are now selling for 50 cents on the dollar.

Two of the biggest market losers today were Lehman Brothers and Bear Stearns, both "leaders" in underwriting these bonds. *CNNMoney* reported July 10 that, in the month of October alone, \$50 billion of adjustable rate (subprime) mortgages will reset to higher interest rates, resulting in mortgage rate increases of 30-40% for consumers.

## **Congress Grills 'Plunge Protection Committee'**

July 11 (EIRNS)—Democratic Reps. Maxine Waters (Calif.) and Barney Frank (Mass.) acknowledged the growing risk of a financial crash, at a hearing June 11 on "Hedge Funds and Systemic Risk," in the House Financial Services Committee. All the principals of the "Plunge Protection Committee" (officially, the President's Working Group on Financial Markets)—Treasury, Federal Reserve, SEC, and Commodity Futures Trading Commission—were before Frank's committee; all denied that any systemic risk existed in the current mortgage-bubble meltdown, and opposed any regulation or even registration of hedge funds.

Waters was blunt in her questioning of Treasury Undersecretary Robert Steele: "What can you tell me about other hedge funds that may be in trouble, and about to fail like these [Bear Stearns hedge funds] from excessive investment in these mortgage-based securities?" Waters asked. "Can we expect, as some are predicting, a collapse in financial markets as a result of these developments?"

Earlier, in opening the hearing, Frank had said, regarding hedge funds and financial markets: "There is a problem here, that we wish we were sure how to approach.... There is a potential for systemic risk." Frank added, "There is a great deal of potential for pension funds to get involved [in hedge funds] beyond what they can handle," a warning repeated by several other committee members. Republican Rep. Richard Baker (La.) warned, "Another Amaranth matter might lead to an avalanche of pension fund losses, because their managers don't understand the risks. This is no casual warning...."

This was one of four Congressional hearings on July 11-12 alone, dealing with private equity funds, hedge funds, and growing risks to the financial system from repeated failures of these speculative funds.

## **Troubled Texas Teacher Pension Fund Gambles on Hedge Funds**

July 14 (EIRNS)—T. Britton Harris IV, CEO of the Teacher Retirement System of Texas (TRS), formerly CEO at Bridgewater Associates hedge fund, is planning to put one-third of the pension fund's \$112 billion in assets into "alternative assets" (hedge funds, private equity funds, and real estate) to diversify its portfolio, according to the July 14 *Wall Street Journal*. The Texas pension fund currently has under 5% of its assets in such funds.

"Investments in alternative assets has not hurt returns at other pension funds. They have helped returns," according to Harris. California's San Diego County Employees Retirement Association would disagree with that assessment by Harris. They are suing the failed hedge fund Amaranth for \$150 million for failing to properly guard against risk in managing their portfolio. The Texas State Legislature, fearful for the health of the huge pension fund, passed legislation recently, capping the amount of hedge fund investments allowed to 5% of its total portfolio. TRS was pushing for a 10% cap.

The TRS fund has been trying to find ways to beef up shortfalls in its fund by moving into higher-return investments, but one of the reasons for the shortfall, according to Public Capital, a pension blog for the *Austin American-Statesman* online, is that the state contribution into the fund is the lowest allowed by the Texas Constitution—just 6%. It was lowered in the 1990s during the heyday of high returns.

According to Frederick Rowe, chairman of the Texas Pension Review Board, "An experienced investor might suspect that TRS is coming late to the alternatives game; ... that may dig an even deeper hole for the fund." Rowe characterized the TRS move into hedge funds as a "panic attack."

## **Mortgage Foreclosures Rose 87% in June**

July 12 (EIRNS)—Bloomberg.com reported today a statement made by RealtyTrac (which sells foreclosure data), that mortgage foreclosures rose 87% in June, over the number for June 2006, and that foreclosures for the first half of 2007 are 56% higher than the figures for that period in 2006. Total numbers of disclosures were highest in California, Florida, Ohio, and Michigan.

In terms of *rate* of foreclosures, Nevada had the highest in June, with one filing for every 175 households, four times the national average of one for every 704 households. Following Nevada, were California (1 per 315), Colorado (1 per 317), Florida (1 per 347), Arizona (1 per 383), Ohio (1 per 403), and Michigan (1 per 420).

RealtyTrac further reports that 58% of properties that are in the disclosure process are linked to borrowers with subprime loans, and that they expect U.S. foreclosures to reach 1.8 million by the end of the year.

Meanwhile, *Bloomberg* reports, the National Association of Realtors said that the supply of unsold homes hit a record 4.43 million in May. In a press release yesterday, the NAR said that home prices will drop by 1.4% this year, and housing starts will drop in 2008 due to higher mortgage rates and a glut of properties available. NAR also projected 865,000 new-home sales this year and 878,000 in 2008, compared to 1.05 million in 2006.

## **Delphi To Cut 90% of 2005 UAW Workforce**

July 9 (EIRNS)—Auto-parts maker Delphi Corp. expects to have as few as 2,300 United Auto Workers union members at its four remaining UAW plants by 2012, the company said in a U.S. Bankruptcy Court filing in New York last week. That would be less than one-tenth of the 24,000 UAW members it employed when it filed for Chapter 11 bankruptcy protection

in 2005, AP reports.

Chalk it up to the failure of the U.S. Congress to support Lyndon LaRouche's plan to save the auto industry in 2005.

## World Economic News

### OECD Warning: Biofuels Threaten World Food Supply

July 10 (EIRNS)—A combined IEA/OECD (International Energy Agency/Organization for Economic Co-operation and Development) report, warning of the dangers posed by the advance of biofuels for the supply of food, released on July 9, is widely covered internationally. The German daily *Sueddeutsche Zeitung* dedicates its July 10 lead editorial to the issue, under the headline, "Starving for Gasoline?" The article portrays the recent tortilla riots in Mexico as a "mene tekel" writing on the wall, indicating what kind of conflicts are to come, should larger areas of arable land be reassigned to production of crops for conversion to biofuels. The daily warns that biofuels are inefficient and directly compete with the world's food supply, particular that for export to countries hit by food shortages. Also China's National Development and Reform Commission on July 10 put out a warning on negative biofuel effects: It said that inflation could surpass 3% already in the first half of the year, which is the "warning" level set by the People's Bank of China. Inflation rose by 3.4% in May, the highest in two years. Food prices, and rising international grain prices due to biofuels, are the key problems, China's *Xinhua* reported on July 10.

### Another Hedge Fund Down the Toilet

July 12 (EIRNS)—The *Financial Times* reported that Basis Capital, a hedge-fund manager based in Sydney, Australia, with \$1 billion in structured credits and junk-rated loans, announced that it may restrict withdrawals by investors, after having lost 14% in one of its funds last month. The hedge fund sent a letter to investors, saying it had been hit by "indiscriminate" repricing of "otherwise fundamentally sound collateral," referring to the U.S. subprime market. The *Times* reports that more hedge funds are likely to limit redemptions, to prevent forced sales of illiquid assets at low prices, but that the true scale of the problem might not become clear until September. Since most funds allow quarterly withdrawals, many funds may not tell their investors until the end of the quarter, that they're imposing restrictions.

### China, Russia Discuss Dangers of Overheated Economy

July 13 (EIRNS)—China and Russia are facing financial challenges due to high capital inflows, skyrocketing foreign exchange reserves, and resulting excess liquidity, all of which are pushing inflation upwards. These problems could trigger a crisis, Chinese Finance Minister Jin Renqing told his Russian counterpart Alexei Kudrin during their annual China-Russia finance ministers' dialogue, held in Moscow July 9-11, *Interfax* reported on July 13. This dialogue was initiated by Russian President Vladimir Putin when he visited China in March 2006.

Jin and Kudrin gave a press conference after their meetings on July 11, where Jin announced that, despite strong growth of close to 11% in the first half of this year, the Chinese economy could face a crisis, *Interfax* reported. The problems of excess investment, a huge trade surplus and excess money supply could trigger such an event, Jin said. The problems have emerged in China as a result of unbalanced world economic development. "It is impossible to solve [these problems] at the expense of our domestic reserves," Jin said.

## United States News Digest

## **Instead of Removing Cheney, the Senate Just Debates**

July 12 (EIRNS)—Lyndon LaRouche commented on the stultifying debate in the Senate on the fiscal 2008 Defense Authorization bill, "There's no more reason to debate. Honest debate has ended. There's nothing left to debate." LaRouche was referring to the fact that the Senate, yesterday, rejected two amendments to the bill that would have addressed the real damage being done to the military by the Bush/Cheney war policy, but adopted two amendments designed to ratchet up the confrontation with Iran.

The first amendment, sponsored by Sen. Joe Lieberman (I-Conn.), requires the Defense Department to produce a report on Iran's alleged support of terrorists in Iraq, which passed 97 to 0; another amendment, accepted today, by Sen. Jeff Sessions (R-Ala.), requires that the U.S. build missile defenses against Iran. Sessions' amendment was adopted by a vote of 90 to 5. Both regaled the Senate with the propaganda emanating from Brig. Gen. Kevin Bergner—the U.S. military spokesman in Baghdad who previously served on the National Security Council as the military deputy to Iran-Contra criminal Elliott Abrams, who has been busy fomenting civil war in the Palestinian territories—on how much of a global threat Iran allegedly is.

Of the two amendments that were rejected, one by Sen. Jim Webb (D-Va.) would have required a minimum time between troop deployments equal to the length of deployments, and the second, by Sen. Chuck Hagel (R-Neb.), would have limited deployment lengths to 12 consecutive months for the Army and 7 consecutive months for the Marines. Both warned that the demands of the Iraq and Afghanistan occupations were stretching the Army to the breaking point.

"The crap stops now," LaRouche said. "Debate, debate, debate. We had it in Vietnam, and we're doing it all over again. The debate itself is dishonest. What we have is more lies. Our troops are dying while the lies pour out. Don't say you're supporting the troops by putting them out to be shot."

## **LaRouche: White House Claims of 'Executive Privilege' a Fraud**

July 12 (EIRNS)—Lyndon LaRouche today denounced as "fraudulent" the Bush-Cheney White House claims of "executive privilege"—asserted to prevent White House officials from testifying under subpoena to the Senate and House Judiciary Committees.

The White House claim, LaRouche said, is "totally contrary to the U.S. Constitution," and constitutes "an attempt to establish a dictatorship in the United States."

"People who don't want a dictatorship will reject this argument. We don't need the Supreme Court to tell us it's unconstitutional. The smell alone tells us. We don't need the Supreme Court to tell us that shit stinks."

LaRouche made his comments after former White House counsel Harriet Miers failed to appear at a hearing of the House Judiciary Committee on the subject of the firing of U.S. Attorneys. Although earlier in the week, Miers' attorney had assured the committee that she would appear for the hearing, but would then assert executive privilege, last night he sent a letter to committee chairman Rep. John Conyers (D-Mich.) informing him that Miers had been directed by the President's attorney not to appear at all.

Both Conyers and subcommittee chair Linda Sanchez (D-Calif.) wrote back to Miers' attorney, telling him that asserting a privilege does not obviate the need to appear before the committee, and that Miers' refusal to appear could subject her to contempt proceedings.

After a period of contentious debate this morning, Sanchez made a ruling that the White House claims of executive privilege had not been properly asserted, and that Miers was required to appear before the subcommittee. Sanchez's ruling was sustained by a 7-5 party-line vote. For Conyers, the issue was straightforward. "If we don't enforce this subpoena," he declared, "no one will ever have to come before this committee again."

### **Conyers Asks: What Was Cheney's Role in Libby Commutation?**

July 10 (EIRNS)—In a letter sent to President Bush July 6, Rep. John Conyers (D-Mich.), the head of the House Judiciary Committee, put a series of questions to the President concerning his commutation of the prison sentence of Vice President Dick Cheney's former chief of staff, Lewis Libby. The first question was: "What role if any, did Vice President Cheney play in the decision to commute the sentence of his own former aide?"

Another question: "Was any consideration given to the impact commutation would have on the possibility that Mr. Libby might yet decide to cooperate with the Special Prosecutor?" Some members of Congress and others have suggested that the commutation was made to head off the possibility that Libby, facing prison, might decide to tell special prosecutor Patrick Fitzgerald the full truth about Cheney's role in the Valerie Plame exposure.

Conyers also asked Bush to waive executive privilege before the July 11 House Judiciary hearing on "The Use and Abuse of Presidential Clemency Power for Executive Branch Officials," so that Administration officials involved in the commutation could testify. Conyers points out that former President Bill Clinton did just that, in allowing his aides to testify at Congressional hearings on the controversial Marc Rich pardon, and former President Gerald Ford also did so, and personally testified regarding his pardon of Richard Nixon.

### **House Punts on Proposed BAE Takeover of Armor Holdings**

July 10 (EIRNS)—The House of Representatives today completed debate on legislation supposedly designed to strengthen the procedures for reviewing foreign investments in the U.S. through the Committee on Foreign Investment in the United States (CFIUS)—without any Member of Congress mentioning CFIUS's most recent atrocity, in which it approved the British BAE Systems' takeover of a top U.S. defense contractor, just as the huge bribery scandal broke out around BAE in Britain, and as the U.S. Justice Department opened a criminal investigation of BAE under the Foreign Corrupt Practices Act.

Shamefully, CFIUS approved the BAE takeover of Armor Holdings on June 21, allegedly finding that it presented no national security threat to the U.S., even as the scandal was exploding around BAE's \$2 billion bribery scheme and the estimated \$80-100 billion BAE-Saudi slush fund growing out of the 1985 deal.

After weeks of news reports that the U.S. Justice Department was about to open a criminal investigation, BAE itself acknowledged, in a June 26 disclosure to investors, that a criminal investigation had been opened.

The Senate passed similar CFIUS legislation on June 29, also with no mention of BAE during the debate. Coverage in the British press has indicated that the British government and BAE hoped to get the takeover approved before the BAE scandal hit the front pages in the U.S. Just today, the *Financial Times* of London reported that the House was set to pass the CFIUS bill, gloating that Sen. John Kerry's (D-Mass.) request to Attorney General Alberto Gonzales that the Justice Department provide information on the BAE bribery investigation to CFIUS, had "failed to gain much traction from lawmakers in Congress."

Ignorance is no excuse. Every Congressional office has received the full dossier on the BAE scandal from *EIR* and the

LaRouche Youth Movement.

## **Senate Judiciary Could Call Fitzgerald To Testify**

July 8 (EIRNS)—The senior Democrat and the top Republican on the Senate Judiciary Committee have indicated that they might call special counsel Patrick Fitzgerald to testify before their committee.

This possibility first came up during an interview with Sen. Charles Schumer (D-N.Y.) on CBS's "Face the Nation," in which Schumer said that he has spoken with committee chairman Sen. Patrick Leahy (D-Vt.) about calling Fitzgerald before the committee. "You know, he's not allowed to talk about what happened before the grand jury, but he did interview the President and the Vice President, not before a grand jury," Schumer said. "And he might have some very interesting things to say. He issued a rare statement after the commutation that was very harsh in condemning it, and with good reason."

Later, when Leahy was interviewed, along with Sen. Arlen Specter (R-Pa.), the ranking Republican on the committee, they agreed that it could be useful to call Fitzgerald—although for somewhat different reasons.

Schumer said that "it would do no good to call Scooter Libby. His silence has been bought and paid for, and he would just take the Fifth." But, Schumer added, if Specter "has no objection to Mr. Fitzgerald coming forward, I think you may very well see Mr. Fitzgerald before the Senate Judiciary Committee."

Specter said he would like to ask Fitzgerald about the basis for his investigation, claiming that "there was no underlying crime on the outing of the CIA agent." However, that canard, often repeated by critics of Fitzgerald, has been thoroughly refuted both by Fitzgerald and by the CIA itself, who have declared that Valerie Plame Wilson was indeed a covert operative whose identity was subject to protection under the Intelligence Identities Protection Act.

## **Ibero-American News Digest**

### **LaRouche on Ecuador Radio: Defeat British 'Coup vs. Civilization'**

June 29 (EIRNS)—We must defeat the British imperial forces attempting to run a "coup d'etat against civilization," Lyndon LaRouche told listeners, in an interview this morning on Quito, Ecuador's Radio 530 AM's "Opinion Popular" program, hosted by Patricio Pillajo. LaRouche was referring to the supra-governmental power embodied in British defense company BAE Systems, now at the center of a mega-scandal, involving nations on several continents. "This is a conflict with powerful international financial forces, with which Ecuador is very familiar from the way Ecuador was raped in times past," LaRouche noted.

"What's the relationship of Ecuador to this business?" LaRouche asked, in discussing the imminent possibility that U.S. Vice President Dick Cheney will be ousted. "South America in general is moving in a direction typified by the proposal for the new banking system. And for certain countries in South America, such as Ecuador, and Bolivia, and so forth, the hope of a recovery from a bad period of life, depends upon some kind of new international arrangements and agreements, agreements which would allow the so-called banking system of the South to function in the way it's intended.

"The fight is to get back to the system of sovereign nation-states, not globalization, and return power to the sovereign governments of the people. And to use that, as a basis for creating new forms of international cooperation among sovereign nations. And that fight has to be waged, but getting rid of Cheney will open the door in that direction."

LaRouche came back again to the importance of the Bank of the South in the interview, which can be read in its entirety at [www.larouchepac.com](http://www.larouchepac.com):

"If you look at the precedent set by the President of Argentina, the assertion of the sovereignty of a nation over its banking system, it is my hope, that the Bank of the South would function as a vehicle commonly used by sovereign nation-states of South America, to maintain sovereignty, number one; but as a necessary vehicle of the type I specified back in August of 1982. It is the exchange of long-term credit among nations, for projects in common interest. You need a system of fixed-exchange-rate agreements among nations, in order to do that.

"Practically, the reconstruction of Ecuador from the rape by George Shultz and company requires that. The success of the Bolivian government's attempt to stabilize itself, depends upon something like that. The rebuilding of Peru, depends upon something like that: large-scale transportation projects which are necessary, water management systems, power systems in general, these have to be subjects of international cooperation on infrastructure development. And it must be done by sovereign nation-states. Those nations require a common facility of credit in order to manage this set of relationships.

"Right now, I think that would work, provided that we make the necessary change in the IMF system, in which case, the Bank of the South could serve as the South American component of a new international monetary-financial system, to replace the presently bankrupt IMF and World Bank....

"In other words, to go back to Franklin Roosevelt's view of how to run the world: no colonies, no empires, national sovereignty. Cooperation among sovereigns. And this Bank of the South is a step toward something for that region, which I think is very valuable."

## **Uruguay To Join Bank of the South**

June 28 (EIRNS)—Uruguay's President Tabaré Vázquez has decided that his government will participate in the discussions to found the Bank of the South, the new regional financing entity that will offer credit for development projects. This was announced June 27 by Foreign Minister Reinaldo Gargano, a strong proponent of regional integration who has supported the Bank's creation inside the cabinet, in opposition to the pro-IMF Finance Minister, Danilo Astori.

Up until now, Uruguay has not been involved in the debate on the bank's creation, precisely because of factional tensions inside the Vázquez cabinet. But when the Espectador radio network suggested that the decision was a "personal victory" for Gargano, due to Astori's "reticence" about the project, Gargano firmly stated that "this was a decision of the Executive branch"—not of anyone else. President Vázquez felt strongly, Gargano said, that since the governments of Ibero-America are now involved in a process of integration, "it made no sense for Uruguay not to be involved." Uruguay wants to be involved in the decision-making about how the bank will function and how it can be made to work for the benefits of all of its members, he said.

## **Brazil Goes Nuclear: Angra 3 To Be Completed**

June 26 (EIRNS)—On June 25, Brazil's National Energy Policy Committee (CNPE) decided in an 8-1 vote to complete the Angra 3 nuclear plant, whose construction was halted almost 21 years ago. The only opposing vote came from Environment Minister Marina Silva, a follower of global warming freak Al Gore. Knowing she had no chance of stopping the vote, Silva boycotted the meeting, and sent an underling, instead, to cast her vote.

The decision to complete Angra 3, which will generate 1,350 MW of electricity, with a target completion date of 2013, was a long time coming—the result of an intense factional brawl inside the cabinet of President Lula da Silva. Although

the CNPE did not approve any broader plant construction beyond Angra 3, the vote was an admission that the nation's current energy grid, based largely on hydroelectric, cannot guarantee even modest economic growth rates. In a June 14 speech, Lula said that the only way Brazil can promise investors that there will be adequate energy supplies after 2012, is by going nuclear. Nuclear "is clean, non-polluting and doesn't emit CO<sub>2</sub>," he said, "and Brazil's [nuclear] technology is perfect."

Interim Mines and Energy Minister Nelson Hubner told the *Valor* financial daily that with Angra 3, the government intends to domestically enrich all the uranium that this, and all future plants, will require. Brazil has the sixth-largest uranium reserves in the world, he said, enough to supply its nuclear plants for 500 years.

As for the issue of nuclear waste, Hubner reported that it will be deposited in secure vessels, where it can be stored for hundreds of years. "Today," he noted, "the whole world is discussing the reprocessing of waste, for use in generating more energy, or transforming it into other elements that can be used in industry."

Two major industrial associations, the Industrial Federation of Rio de Janeiro (Firjan) and the Brazilian Infrastructure and Basic Industry Association (Abdib), welcomed the decision, noting in particular its importance for Brazil's scientific and technological future. For their part, ecstatic leaders of the Pro Angra 3 Movement, representing labor unions, professional associations, and community groups from the surrounding area of the long-stalled Angra 3 plant, summed up their view: "It's as if we'd won the Sixth World Cup!"

## **Spanish Cheneyacs Intervene into Argentine Elections**

June 25 (EIRNS)—The secretary general of Spain's Popular Party (PP) Jorge Moragas used the occasion of the June 24 victory of millionaire soccer club owner and neo-con Mauricio Macri as the new mayor of Buenos Aires, to publicly attack popular Argentine President Néstor Kirchner, in an attempt to shape the environment leading into the October Presidential elections in Argentina. Macri, a darling of Cheneyac circles around the American Enterprise Institute in Washington, defeated Education Minister Daniel Filmus of Kirchner's Victory Front, and now says he will work on creating a political alternative for October, aimed at providing "political balance" in the country.

The PP is the party of former Spanish Prime Minister José María Aznar, who serves as an international mouthpiece for Dick Cheney's fascist policies, and just spent the last month touring Ibero-America, peddling them as "an agenda for freedom." Moragas, who was invited to the victory celebration by Macri, described the latter's win as a "message of hope for those who think it is difficult to win democratically against populist formulas."

Macri and the fascist, neo-liberal interests behind him do not have a chance of winning the Presidential race. They targeted Buenos Aires, which has never historically been a stronghold of Kirchner's Peronist Party, however, in hopes of recouping some political ground from which to undermine the Kirchner-led effort to rebuild Argentina.

For Macri and Moragas, like Francoite Aznar, "populism" refers to anyone who opposes the International Monetary Fund's policies of unbridled free trade and deregulation. These circles label Kirchner as "authoritarian" and "undemocratic" because he thinks human beings are more important than the free market and the banks. Moragas likened Macri's victory to that of Nicolas Sarkozy in France, particularly emphasizing Macri's commitment to building "solid" institutions and fighting "corruption."

In the weeks preceding the election, Kirchner had said it would be a contest between "two models"—the neo-liberal one which destroyed Argentina in the 1990s, and the current one which prioritizes defending the general welfare, building an internal market, and reindustrialization. One look at the gaggle of fascists who are now offering their congratulations to

Macri, including Chile's Presidential aspirant Sebastian Pinera and the head of the Mexican PAN Manuel Espino, makes clear how correct Kirchner was.

## Western European News Digest

### UK Ambassador: BAE Probe Would 'Risk British Lives'

July 13 (EIRNS)—London's *Daily Mail* yesterday reported that the British Ambassador to Saudi Arabia, Sir Sherard Cowper-Coles, had warned the Serious Fraud Office in November 2006 that the probe into the BAE-"Al-Yamamah" deal would "risk British lives" if it continued (see *EIR*, June 22, for more on the BAE "Scandal of the Century").

The *Mail* report is based on documents it received under the Freedom of Information Act. Sir Sherard met SFO director Robert Wardle on Nov. 30, 2006, after which, the investigation was closed down on Dec. 14. The confidential papers obtained by the *Mail* were prepared on Wardle's behalf by the Treasury Solicitor's Department, a government legal service. The *Mail* quotes the papers saying: "During this meeting [Wardle] received direct confirmation from the ambassador [Sir Sharard] that the threats to national and international security were very grave indeed. As he put it, British lives on British streets were at risk."

There were two more meetings between the two, and the (now former) ambassador said that the danger that Saudi Arabia would withdraw its cooperation on counterterrorism was "real and acute..." He expressed the view that the Saudis were not bluffing and there was a real threat to U.K. lives.

Wardle also considered the views of Blair, then-Foreign Secretary Margaret Beckett, and Defense Secretary Des Browne, but himself "independently" decided to end the investigation, the papers said.

### Revolt Against Neo-Cons' 'Unitary Executive' in Germany

July 11 (EIRNS)—The controversy over neo-con German Interior Minister Wolfgang Schäuble's call for targeted assassinations is escalating, with coverage all over the media, featuring opposition from among his own Christian Democrats. Notably, Bavarian State Interior Minister Günter Beckstein, a hard-line neo-con himself, denounced the call, as "simply not possible and not acceptable." On behalf of the Social Democratic coalition partner, Peter Struck spoke of Schäuble "running amok," and Vice Chancellor Franz Müntefering demanded that Chancellor Angela Merkel call Schäuble back to discipline and put an end to this debate. Merkel said yesterday that she endorses the discussion about "new security measures as such" on the grounds that "there are new dimensions of terrorist threats that have to be dealt with."

The Schäuble proposal should be seen as yet another attempt to establish a kind of "unitary executive" mechanism in Germany, bypassing constitutional restraints, with the allegation that "new terrorist threats justify extraordinary measures." Another element in the Schäuble neo-con strategy is the militarization of domestic security, which he introduced de facto, with the unconstitutional use of the armed forces, using Tornado fighters to fly low over demonstrators during the June 6-8 G-8 Summit. The use of Bundeswehr (German Army) Tornados, and also of armored vehicles, has enraged both police and military leaders. In a report on the national television magazine "Monitor," police union representatives spoke of an unacceptable use of "military weapon systems in police functions." Bundeswehr spokesmen stated that the military leadership is united in rejecting such a deployment.

### Belgian Daily Covers BAE Scandal

July 11 (EIRNS)—Under the title "Investigation into corruption of British arms firm," the Flemish-language Belgian daily *De Morgen* reports today that the United States is carrying out a criminal investigation into the BAE for suspected bribery of Saudi Arabia, and adds that BAE shares fell by more than 6% after the U.S. Justice Department announced its investigation.

According to allegations, Prince Bandar bin Sultan received a total of 1 billion pounds (1.5 billion euros) for his mediation in the al-Yamamah deal.

The article points out that the 40 billion pound al-Yamamah deal took place when Margaret Thatcher was still in office; and that the British investigation of the BAE was stopped last December by pressure from Tony Blair.

## **Polish Government Heads for Early Elections**

July 10 (EIRNS)—After the dismissal of Vice Premier Andrzej Lepper and the resignation of Sports Minister Josef Lipiec, over corruption charges at the peak of a heated nationwide debate on the issue, the government of Prime Minister Jaroslaw Kaczynski is expected to lose two of its minor coalition partners, Lepper's Samoobrona party and Lipiec's League of Families party.

The turbulence in Poland is also expected to affect the ongoing talks on government plans to station U.S. missile defense bases in Poland.

Kaczynski said that the "obstructionism of the opposition" made it impossible for him to run a minority cabinet, therefore early elections in Autumn are most likely, European newswires reported this morning.

As for the "obstructionism," there is mounting criticism in the country of the government's continuation of the former neoliberal disinvestment and austerity policy, criticism highlighted by nationwide strikes of railway workers and nurses.

## **German Governor Endorses Fehmarn Belt Bridge**

July 12 (EIRNS)—In an address before the state parliament of Schleswig-Holstein yesterday, State Governor Harry Peter Carstensen gave wholehearted support to the Danish Fehmarn Belt Bridge project, saying it is crucial for establishing a modern rail/road transport corridor from the continent of Europe to Scandinavia. He pointed out that if flanking infrastructure in road and rail is built in connection with the bridge, Schleswig-Holstein would, by about the year 2020, be located at the crossroads of two grand continental transport routes through Europe's northern regions—North-West and West-East. Carstensen called on German firms to get engaged beyond the mere road-rail link from Germany to the bridge, as agreed in the German-Danish government treaty, and make sure that the project does not only imply more transit through the state of Schleswig-Holstein. What is needed is more investment in production along the route, to bring greater job-creation, Carstensen said, adding that he has received a promise also from EU Commission President J. Manuel Barroso that the EU would co-fund the bridge project with 30% of the total expenses. (See this week's InDepth for ["Danish Bridge' to Germany To Be Built."](#))

## **Brenner Tunnel Will Be Longest in the World**

July 12 (EIRNS)—On July 10, Austrian, Italian, and German transport ministers signed a memorandum of understanding on building the Brenner Tunnel, a massive infrastructure project designed to ease the impact of traffic through the Austrian Alps. Last year 1.9 million trucks used the Brenner Pass. After the projected completion by 2022, the tunnel will have the

capacity of handling the transit of three times as many trucks.

The construction of the tunnel is expected to cost 6 billion euros. The deal foresees costs being shared among Austria, Italy, and the European Union. Germany will be required to build the section of the autobahn leading to the tunnel.

The long-delayed project is designed to relieve road traffic through the Brenner Pass connecting Germany with northern Italy via the Austrian Alps. At 63 kilometers long, the Brenner Tunnel will be the longest in the world. The agreement signed July 10 is a breakthrough on the project, which has been under discussion between Austria and Brussels for nearly a decade.

## **Russia and the CIS News Digest**

### **Putin Meets New Primakov-Kissinger Group**

July 13 (EIRNS)—Russian President Vladimir Putin this evening received the members of the new public dialogue group "Russia-USA: Looking at the Future," chaired by former Secretary of State Henry Kissinger and former Prime Minister and Foreign Minister Yevgeni Primakov. The group had held its first meeting, earlier in the day. Its creation was announced April 26, just after Putin met with U.S. ex-Presidents George H.W. Bush and Bill Clinton.

Members of the group are senior figures from the two countries. The RTR Vesti Information Channel reported that among them were Americans Thomas Graham (strategic arms negotiator in the Clinton Administration), former Sen. Sam Nunn, former Treasury Secretary Robert Rubin, senior oligarchical figure George Shultz, Chevron CEO David O'Reilly, and Martin Feldstein, who headed the Council of Economic Advisors under President Ronald Reagan.

The Russian participants include former strategic arms negotiator and Ambassador to the United States Yuli Vorontsov, deputy chairman of the electric power company UES Leonid Drachevsky, Academician Yuri Izrael (known for his criticism of the Intergovernmental Panel on Climate Change, IPCC, of which he is a member; participant in the April 2007 conference in Moscow on the proposal to build a tunnel across the Bering Strait), deputy head of the U.S.A.-Canada Institute Victor Kremenyuk, deputy chairman of Russian Aluminum Alexander Livshits, and Gen. Mikhail Moiseyev, former Chief of the Armed Forces General Staff. Foreign Minister Sergei Lavrov also took part in the meeting with Putin at Novo Ogaryovo outside Moscow.

Putin's remarks to the delegations were featured on all major TV news broadcasts in Russia and posted on the Kremlin website. Congratulating the group on having formed itself so promptly, he noted that their discussions had covered "a geopolitical review focusing on relations between Russia and the United States, the world economy, non-proliferation, the energy sector, the future outlook, and common interests between Russia and the U.S. These are all very important issues, and they all have a global dimension and are matters of principle." He said that these were the topic-areas of all of his own talks with President Bush, including at Kennebunkport on July 1-2.

Putin continued, "This kind of global approach that looks to the future, is very much needed, in my view. We cannot afford to let Russian-American relations depend on the political needs of the moment in our countries.... If we are to keep the interests of global security and the interests of our peoples in mind, we must take a different approach. What kind of different approach should this be? We must ensure that in both Russia and the United States the attitude towards Russian-American contacts and relations at all levels and in all areas reaches a level of national consensus such that the overwhelming majority of people in our countries realize how important these relations are not just in bilateral terms, but how important they are for resolving global issues too."

Putin said he hoped "that the proposals that emerge from your discussions will not end up gathering dust on foreign ministry shelves, but will be viewed as material that can be used for developing practical policy."

Primakov and Kissinger spoke to the press after the meeting with Putin. Primakov said that the next in-person conference of the group would take place in mid-December.

### **Putin Meets with Chinese Foreign Minister**

July 13 (EIRNS)—President Putin met with Chinese Foreign Minister Yang Jiechi, who is now on a visit to Moscow. Putin stressed the importance of the Russo-Chinese relationship, noting that a "very high degree of trust" has been established between the two nations. The economic and trade cooperation is moving faster, Putin said, adding that bilateral border trade has become more active with the trade structure improving. Putin said he is looking forward to his meeting with the Chinese President at the meeting of the Shanghai Cooperation Organization (SCO) in August. Minister Yang will remain in Moscow for further talks with Russian Foreign Minister Sergei Lavrov.

### **SCO To Expand Scope as Key Eurasian Organization**

July 9 (EIRNS)—The Foreign Ministers of the Shanghai Cooperation Organization countries (China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan, with Mongolia, India, Iran, and Pakistan as observer nations) met in Bishkek, Kyrgyzstan today, laying out a program for their annual summit, to be held in Bishkek on Aug. 16. Their final document emphasized active cooperation of the SCO with the CIS states, ASEAN, and the Euro-Asian Economic Community, and the United Nations.

The SCO was initiated in 1996 to counter terrorism in Eurasia, and has since grown to encompass economic, trade, military, cultural, and legal cooperation. Terrorism is still a central issue. Russian Foreign Minister Sergei Lavrov said that on Aug. 17, right after the summit, "our leaders will attend the active phase of the SCO Peace Mission-2007 anti-terror exercise in the Chelyabinsk region. The results and decisions of the upcoming summit will make a considerable contribution to higher stability and security and the development of integration processes on the SCO space in the interests of our countries, people and the whole region."

The devolution of Afghanistan is another key issue for the SCO. Lavrov told the press that Russia would like the SCO, including the observer nations, "to work more actively with the SCO-Afghanistan contact group.... We need to use an approach which combines necessary active economic support and more critical measures to suppress drug trafficking, while it is also necessary to support national agreement within Afghanistan." Afghanistan President Hamid Karzai and the UN Secretary General Ban Ki-moon are invited guests, *Kazakhstan Today* reported.

### **Ukraine Interested in Russian Missile Defense Proposal**

July 11 (EIRNS)—In an interview with the Russian paper *Novaya Gazeta* yesterday, Ukrainian President Viktor Yushchenko said that his country might one day join a joint missile defense system with Russia, the U.S.A., and Europe. "We view positively any system which would broaden the possibilities of collective security," he said. "We need to draw up a model of security which would meet the needs of all, or most, of those taking part in the process." Coming from a longtime ally of U.S. geopolitics against Russia, Yushchenko's remarks, an endorsement of the Kennebunkport formula, are an important new development in Eastern Europe. It cannot be ruled out that Yushchenko discussed the issue with Bill Clinton, during the latter's recent visit to Ukraine—during which, Clinton also endorsed the original 1983 Reagan SDI initiative for joint U.S.-Russian missile defense.

## **Deputy Minister Says Azerbaijan Likes Putin Proposal**

July 12 (EIRNS)—Araz Azimov, the Deputy Foreign Minister of Azerbaijan, answered a question from *EIR* on Russian President Putin's proposal for joint U.S.-Russian missile defense, saying that Azerbaijan would be quite satisfied if an agreement were reached over the Gabala radar facility, as Putin suggests. "When the U.S. and the Russians are in agreement, everyone feels better," Azimov said.

With the demise of the Soviet Union, he explained, Azerbaijan was forced to decide whether to use the Gabala radar or dismantle it completely. "It was not possible for Azerbaijan to use it," he said. So, in 2002 it was recognized as the property of Azerbaijan, transformed into a civilian site, and leased to the Russians for ten years, with the possibility of renewal.

When news of Putin's proposal came, he said, "Putin consulted with President Aliyev and explained that it was a question of a sharing of information. Azerbaijan was interested in helping the two parties in a joint approach." Azimov added that the latest version of the proposal, made at Kennebunkport "contains many new elements," and agreement must be worked out between the parties. After that, there might be a trilateral meeting which would include Azerbaijan.

## **Gazprom Lets French Total in on Shtokman Gas Field**

July 13 (EIRNS)—Following July 11 phone discussions between President Putin and French President Nicolas Sarkozy, Russia's Gazprom decided to grant to the French oil multinational Total, a 25% interest in a contract for exploitation of the offshore Shtokman gas field, the largest in the world. The French daily *Le Figaro* describes it as a highly political deal, possibly indicating that the new French President does not intend to follow the anti-Russian line he had promulgated during his Presidential campaign. In his speech to the National Assembly, Prime Minister François Fillon said that relations between France and Russia would be characterized by trust and friendship.

Estimated at 3,680 trillion cubic meters, the Shtokman gas field will be extremely difficult to exploit, due to its location in the Barents Sea, an area where there are often severe storms and icebergs. Investments in technology following a period of technical studies will be colossal, in the range of \$20 billion. While Russia terminated the status of multinationals Total, Chevron, ConocoPhillips, Statoil, and Norsk Hydro from an earlier contract, so far, only Total has made it back into the game, apparently thanks to its technological superiority in working offshore fields.

According to the Russian economic daily *Vedomosti*, cited in the economic section of *Le Figaro*: "Gazprom is incapable of managing the project alone. The investments are enormous and Gazprom does not have certain necessary technologies." The contract signed today in Moscow gives Total a 25% interest in the company which will own the "infrastructure" of the project. Its share does not include exploitation of the deposits.

## **Southwest Asia News Digest**

### **Revolt vs. Cheney: Bipartisan Challenge to Iraq Policy**

July 13 (EIRNS)—Senior Republican Sens. John Warner (Va.) and Richard Lugar (Ind.) today introduced a carefully crafted amendment to the Defense Authorization bill that would, if passed, set the foundation for a change of policy in Iraq. Warner and Lugar are ranking members of the Senate Armed Forces and the Foreign Relations committees, respectively.

Rather than calling outright for a withdrawal of U.S. troops, the measure requires the President to update the Jan. 7, 2007 National Intelligence Estimate on the prospects for stability in Iraq, so as to include the consequences of various courses of action on the region, and on U.S. interests. It also requires that the President initiate planning to transition U.S. forces from policing the sectarian conflict, to a focus on counterterrorism and training and equipping Iraqi security forces. Such plans are to be submitted to the Congress no later than Oct. 16, 2007, the anniversary of the date in 2002 that the original "use of force" resolution was passed.

Most importantly, it declares that the 2002 resolution "requires review and revision," which expects the President to submit to Congress a proposed revision—which will revisit the whole initial debate, including the use of hoked-up intelligence.

The section of the bill which follows includes a Sense of the Congress resolution calling for the establishment of a "predictable and regular multi-lateral diplomatic forum related to Iraq." This is based on a proposal contained in the Iraq Study Group report, to engage regional partners in solving the Iraq mess.

In remarks on the floor of the Senate on July 13, Lugar noted that the evidence suggests that the Iraqi government and political system will not achieve necessary political accommodations in a short time frame. He also called the "use of force" resolution of 2002, "obsolete."

On July 9, a bipartisan amendment to the Defense Authorization bill, introduced by Sen. Jim Webb (D-Va.), and co-sponsored by Republican Sen. Chuck Hagel (Neb.) put limits on the deployment of troops, by requiring minimum periods between troop deployments to Iraq and Afghanistan.

"We are now in the fifth year of ground combat operations in Iraq," Webb stated in a July 9 press conference, "and this deck of cards is crashing down, and it's landing heavily on the heads of soldiers and Marines who have been deployed again and again."

Webb's "Minimum Period" requires that the time between combat deployments is equal to the period of the previous deployment; for Reserve forces, a three-year period between deployments would be required. This would throw a huge monkey-wrench into the Administration's war plans.

Hagel was the first to speak in support of the amendment, and charged that the Administration "has pushed the military to the breaking point." Webb noted that he and Hagel are the only members of the Senate who actually fought in ground combat in the Vietnam War.

The amendment was defeated.

## **Iran Gives Green Light to Reactor Inspections**

July 13 (EIRNS)—In the course of talks this week with the International Atomic Energy Agency (IAEA), the Islamic Republic of Iran agreed to provide access to the heavy water reactor under construction in Arak, which will have the capacity to produce plutonium. Such inspections were called for by IAEA chief Mohamed ElBaradei as a way out of the crisis.

"During the visit [of the IAEA delegation to Tehran], agreement was reached on ... a visit of agency inspectors to the Heavy Water Research Reactor at Arak by the end of July 2007," the IAEA said in a statement. There was also agreement to resolve problems over inspecting the uranium enrichment plant in Natanz, as well as remaining issues "regarding Iran's

past plutonium experiments," the statement said.

A diplomat cited by Agence France Presse commented, "As long as the things promised are executed, it is a good deal, it is significant." Iran's ambassador to the IAEA, Ali Asghar Soltanieh, said the inspection of the Arak site would "take place soon," and that "just one visit will be enough." He also announced that Iran and the IAEA will hold a fresh round of talks in Vienna on July 25 and 26.

Soltanieh also said that the Agency and Iran were putting together a working framework of "precise rules" concerning any inspections of Tehran's nuclear facilities. "For example, it is not necessary to discuss each time the placement of surveillance cameras and the manner of inspection. Rules need to be set," he said.

## **Iran Talks with Atomic Agency Seen as Very Positive**

July 13 (EIRNS)—The talks between an International Atomic Energy Agency (IAEA) delegation and Iranian officials in Tehran, have been characterized by both sides as positive, even as a breakthrough, according to Iranian news agencies IRNA and IRIB.

"We had constructive discussions and made some important steps and we will continue discussions in coming weeks," IAEA delegation leader Olli Heinonen told the press after three rounds of talks. "The atmosphere was very good. We immediately agreed on four or five steps. We'll continue on present issues in the next weeks and we look forward to progress."

"Iran did some things in the past where we were not present and we have to reconstruct this history," Heinonen added. "If the cooperation continues like this we hope that the problems will be solved, not now, but in a reasonable future."

Deputy head of Iran's National Security Council Javad Vaeedi characterized the meeting on July 12 as "serious and good."

"We discussed methods to regulate the outstanding problems with the agency, and made good progress," Vaeedi said, during a joint press conference with Heinonen. "We divided the matters into two parts, the current and the past problems. "We made a breakthrough in both parts," Vaeedi said, according to the Iranian news agency IRNA.

According to IAEA chief Mohammed ElBaradei, the two sides are committed to "drawing up a plan of action," within 60 days.

The deputy head of the Iranian Atomic Energy Organization, Mohammad Saeedi, said another round of talks between Iranian and IAEA officials was planned. "'No date, but [in the] very near future," he told reporters. He also said that the IAEA delegation had met on July 11 with the national security chief and Iran's chief nuclear negotiator Ali Larijani.

## **Propaganda for Israel's Summer War on Lebanon**

July 10 (EIRNS)—In a discussion today with EIRNS, a leading Lebanese journalist drew attention to a flurry of inflammatory media reports that are little more than agitation for the Israeli attack on Lebanon, about which EIRNS warned in its July 7 story entitled, "Warning: Cheney Pushing New Lebanon War This Summer."

An article, entitled "Getting Serious about Syria," by neo-con Barry Rubin, appeared in the July 10 *Jerusalem Post*. The article quotes Israeli Defense Minister Ehud Barak: "We must once again restore the Israeli army's deterrence." To do that,

Rubin insisted that Israel recognize that Syria must be "the state actor to pay the price" of Hezbollah's attacks on Israelis, and the Syrians must be forced to recognize that they are the target. Like a schoolyard bully, Rubin—a top propagandist for the Iraq War, who was caught in 2002, pushing disinformation, taunted: "If deterrence must turn into implementation, the guns should be pointed in the right direction. Let the Syrian rulers tremble where they now swagger."

Another pretext for an Israeli attack on Lebanon was from the shop-worn "Lebanese Chalabi," Walid Phares, who wrote, in a July 8 posting on *National Review* online, an article titled, "A Hezbollah Coup Attempted This Summer?"

Then, on July 6, MEMRI (Middle East Media Research Institute), which is run by neo-con Meyrav Wurmser, published a disinformation piece targeting Syria, Iran, and Hezbollah, titled "Possible Eruption of Violent Crisis in Lebanon After July 15." This propaganda, which claims that Damascus was evacuating all Syrian workers from Lebanon, in order to prepare for war, could have been written in Dick Cheney's office, since Wurmser's husband (and co-author of "Clean Break," the neo-con "bible" for Syrian, Iranian, and Iraqi regime change), David Wurmser, is Cheney's chief advisor on the Middle East.

The MEMRI report claims that Syria is preparing for war by withdrawing its students and guest workers from Lebanon, but Lebanese sources told *EIR* that this is misleading. Students have been advised to return to Syria for the next year, but the number is inconsequential.

### **'War With Syria Will Be 10 Times Worse Than With Hezbollah'**

July 11 (EIRNS)—In its latest assessment, Israeli military intelligence warns that a "war with Syria would be ten times worse than with Hezbollah." Although Syria is not interested in a war with Israel, Syria fears that the U.S. will attack Iran this Summer, and in such a scenario, Israel would attack Hezbollah and strike targets in Syria. Therefore, the assessment warns that if Israel does not begin peace talks, a war could break out by "miscalculation." According to a report in today's *Jerusalem Post*, military intelligence warned that Syria could fire thousands of missiles at Israeli cities.

### **Olmert Continues Spin on Negotiations with Syria**

July 13 (EIRNS)—At a meeting with ambassadors of the European Union today, Israeli Prime Minister Ehud Olmert continued his spin on how it is Syria—not Israel—that does not want negotiations. Olmert claims Syria is using talks with Israel to get talks with the USA.

"Syria does not want war, and neither does Israel, but this does not mean that the situation will turn into negotiations. Assad says he wants negotiations, but in practice he means negotiations with the United States and [President George] Bush and not with Israel," Olmert is quoted as saying by the Israeli daily *Ha'aretz*.

Olmert's excuse is obvious sophistry, since he well knows there is no way a peace agreement could be signed without the U.S. as a participant. The importance of the U.S. role was underscored by a well-informed Washington intelligence source, who told *EIR* that Syrian President Bashar al-Assad *cannot* go to Israel for peace talks, the way that Egyptian President Anwar Sadat went to Israel in November 1977. The major difference is that the United States, under then-President Jimmy Carter, *wanted* there to be peace between Egypt and Israel, and backed the Sadat visit. There is no such inclination from the Bush-Cheney White House.

## **Asia News Digest**

## **India Completes Triad of Nuclear Weapons Delivery Systems**

July 11 (EIRNS)—New Delhi has announced the successful test-launch of a nuclear missile from a submarine. Defense officials also said they have successfully developed and tested a submarine-based cruise missile, called Sagarika.

With the induction of Sagarika, India's Defense and Research Development Organization (DRDO) said that India has now completed the triad of nuclear weapons delivery systems. The other two—missile-launched and fighter aircraft-launched—have already been tested successfully.

Submarine-based nuclear missiles are considered the most reliable, because they are extremely difficult to detect. New Delhi has announced that the submarine-based delivery system will project India's military power in the adjacent Indian Ocean and Arabian Sea.

India has on paper a no-first-use doctrine, and the DRDO claims Sagarika would give the military its most reliable second-strike capability.

## **India-Bangladesh Train Link Reestablished**

July 10 (EIRNS)—After 42 years, the train link between India and Bangladesh has been reestablished. The trial run took place on July 9, and full service is expected to begin on Aug. 2. Train service between the two countries were suspended following the Indo-Pakistan War in 1965.

The 250 mile rail line will eventually connect two major cities, Kolkata in West Bengal on the Indian side, and Dhaka, Bangladesh's capital. At the initial stage, however, the train would link Kolkata to Joydebpur, about 36 miles west of Dhaka.

The train link will be reestablished at a time when Bangladesh is under an interim regime backed by its military. It has been noted in New Delhi that the interim government is very keen to connect Bangladesh with its neighbors. For years, Bangladesh was becoming increasingly isolated because of the intense political struggle within between two major political parties—the Awami League and the Bangladesh Nationalist Party. The inability of both political parties to prioritize developmental activities which could lead the country forward economically, resulted in the rise of violence, economic stagnancy, and growing instability.

## **A Major Step Forward Toward Nepal's Development**

July 13 (EIRNS)—The government of Nepal has issued a 30-year operating license to India's Power Trading Corporation (PTC) and Australia's West Seti Hydro (WSH) to build a 750 MW hydropower project in Nepal's remote Doti district. Power-starved Nepal had been sitting on the project for a decade. The delay has further pauperized the population, and given rise to a decade of Maoist violence.

The stability of Nepal through economic development is crucial, not only for its own people, but also because of its strategic location in an area which has remained unstable. A Himalayan kingdom, Nepal is sandwiched between India and China, near the border of Bangladesh.

The \$1.2 billion project will deliver power to the Indian high-voltage grid with a transmission line to Bareilly in the Indian state of Uttar Pradesh. The Asian Development Bank (ADB) has said that the power project will change the face of India's far western district, which is one of the country's most neglected and inaccessible regions.

## **A Police State Is Descending on the Philippines**

July 11 (EIRNS)—Philippine President Gloria Arroyo is again deploying armed troops into Manila, to counter "communists." Arroyo pulled troops out of the poor regions of the city before the May elections to deceive the international election observers, but has redeployed them, just a few days before the implementation of an anti-terror law goes into effect. The law provides the government with police-state powers, including wiretapping, arrest and detention without warrants, and seizure of property without due process. Reviving Cold War hysteria, Col. Lizardo Visaya, chief of the Philippine Army's Civil Military Operations Battalion, told the *Philippines Inquirer* regarding the troops: "We will inform the residents about the recruitment activities of the NPA [New People's Army]. We will conduct lectures." Visaya said the soldiers will visit daycare centers to inform children about the evils of communism. "We have to start with the next generation," he said.

The anti-terrorist law, called the Human Security Act of 2007, takes effect on July 15, before rules on the law's implementation are enacted. Several senators who voted for the bill are now regretting being bum-rushed into backing it, while the *Inquirer*, the leading establishment newspaper, editorialized today: "Like lemmings, those rodents that jump off cliffs in a kind of mass hysteria, our officialdom seems to have committed to the so-called Human Security Act (HSA) unthinkingly, and wants to rush its implementation with a self-destructive firmness of purpose. The other day, the Catholic Bishops' Conference of the Philippines appealed to the government to review the anti-terror law. But President Gloria Macapagal-Arroyo's response was a firm no. With or without implementing rules and regulations, she said, the law goes into effect on Sunday."

The government also said it would ask the courts to outlaw the Communist Party of the Philippines, the New People's Army, and the Abu Sayyaf, as soon as the HSA is implemented. All this comes as the "Operation Condor"-style killings of social activists by networks within the military continues unabated. Despite official complaints from the U.S. Congress about the killings, the Bush Administration has praised the anti-terrorist law as proof that the Philippines is a friend in Cheney's war on terror.

In the real war on terror, the Abu Sayyaf, an Afghansi network in the southern Philippines, killed 14 Philippines marines, beheading 10 of them; they were searching for a kidnapped Italian priest.

## **Japan High Court Slams Hedge Fund as 'Predatory Acquirer'**

July 12 (EIRNS)—Steel Partners, a San Francisco-based hedge fund run by Warren Lichtenstein, was declared a "predatory acquirer" by the Japanese High Court, in a ruling which turned down Steel Partners' effort to stop defensive "poison pill" measures by a takeover target, Bull-Dog Sauce Company. About 10% of Japan's listed companies have now implemented poison pills, which dilute the hedge fund predator's stock holdings so as to limit their voting rights. According to the *Japan Times*, the Court ruled that Lichtenstein was "trying to exploit the Japanese firm for a quick profit," which would be "harmful to the targetted firm's corporate value," and thus, normal shareholder rights no longer applied.

Lichtenstein's Steel Partners has worked with corporate raider Carl Icahn in predatory takeovers in South Korea, which have also provoked fierce defenses. Lichtenstein's other recent adventure is pumping hot money into the U.S. porno industry.

## **Indonesia Imposes Protection vs. Foreign Takeovers**

July 10 (EIRNS)—Indonesia, the world's fourth-largest nation and Southeast Asia's largest economy, has imposed a wide range of protective measures against foreign direct investment (FDI) into most of its national industries.

Despite a dearth of FDI since the 1997-98 speculative destruction of the Indonesian economy, and constant harping from the West to water down the labor and investment laws to accommodate foreign takeovers, the government of President Susilo Bambang Yudhoyono has done the exact opposite. According to Bill Guerin writing in the *Asia Times*, the list issued by Trade Minister Mari Pangestu will affect at least 338 business sectors, up substantially from the 83 previously protected.

The bill, declared under the recently enacted 2007 Investment Law, will not require parliamentary approval. Although the change will not affect several major sectors, including banking, oil and gas, power, water, and agriculture (the Indonesian banking system has become majority foreign-owned, with the accompanying loss of sovereignty, since the 1998 speculative attack), it will nonetheless, significantly reduce the percentage of foreign ownership allowed in the areas of armaments, key industries, transportation, telecom, pharmaceuticals, health, and construction, among others—most, to below 50%. It will not be applied retroactively.

## Africa News Digest

### New Bridge To Link Arab Peninsula to Africa

July 14 (EIRNS)—With pledges of land and endorsements from the Presidents of Djibouti and Yemen, a Dubai-based developer, Middle East Development LLC (MED), which is overseeing the project, on April 25 gave the green light to newly formed Noor City Development Corp. of California, to proceed with designing and building a bridge connecting Yemen on the southern tip of the Arab Peninsula, with Djibouti on the African mainland.

The bridge will cross the Gulf of Aden at the southern end of the Red Sea, and is being promoted as the longest bridge in the world, at 18 miles. To allow clearance for submarine and surface vessels, the proposed bridge will have the longest suspension span in the world, measuring 3.1 miles, according to a May 22 press release on [pr-inside.com](http://pr-inside.com). The bridge is designed to provide freight train, light rail, and automobile service to and from the two continents, and will accommodate over 100,000 cars and 50,000 rail riders daily, according to a May 1 article at [Engineering News Record](http://Engineering News Record) ([enr.construction.com](http://enr.construction.com)). It will cost \$10-20 billion and will take seven to nine years to complete.

Tarik E. Ayyad, president of the Noor City Development Corp., said MED's goal is to create stability and economic opportunities on both sides of the Red Sea by tying in the bridge to new road and rail construction hubs in Africa and the Arabian Peninsula. "If you open up to this" transportation system that provides access into the heart of Africa, "then you can create jobs by moving products, moving services," he said. "You can ignite economic development just by the transportation element. The bridge is really critical." Ayyad is a construction manager, civil engineer, and former bridge engineer with the California Department of Transportation.

A map depicting the bridge's location is available at: <http://enr.construction.com/images2/2007/05/070502-12B-big.jpg>

### Talks Aim To Settle Darfur Rebellion

July 15 (EIRNS)—Two separate but parallel meetings working to resolve the Darfur rebellion took place this weekend, one in Tripoli, Libya, and the other in Asmara, Eritrea.

In Tripoli, mediators in the Darfur rebellion held their latest meeting today, to try to set a new timetable for talks between Sudan and the rebels. Participants included representatives of the UN, the Arab League, Britain, Canada, Chad, China, Egypt, Eritrea, France, Libya, Sudan, the Netherlands, Norway, Russia, the United States, and the European Union, according to themedialine.org today. The lack of a united negotiating position on the part of the rebels has made it difficult to get negotiations going between Sudan and the rebels, who have reportedly split into more than a dozen armed groups.

The day before the Tripoli meeting, an encouraging development took place in Asmara, Eritrea, where it was announced that five rebel groups from Darfur had agreed to join forces in pushing for a solution to the conflict in Darfur, western Sudan, according to sudantribune.com today. The new coalition calls itself the United Front for Liberation and Development, saying they wanted "a united front to deal with the crisis in Darfur and the Sudan; and appeal to all other movements to contribute to unity efforts." They have been meeting in Eritrea since late May. Eritrea, Chad, and Libya have been pushing for such a coalition for the rebels, to facilitate peace negotiations with Khartoum.

Just before the Tripoli meeting, Reuters reported on July 14 that Bush Administration Special Envoy Andrew Natsios, after a tour of Darfur, speaking from Khartoum, claimed that Sudan had resumed bombing civilian targets in Darfur, after the bombing had stopped at the end of April. Sudan's envoy to the UN, Abdalhaleem Abdalmahmood, blasted Natsios' statement, saying Natsios is "a stumbling block to peace in Darfur" and denied that his government carried out any bombings recently in Darfur.

## **Sudan Reports Coup Plan Preempted**

July 15 (EIRNS)—Fourteen alleged conspirators, including former Sudan Presidential Assistant Mubarak Al-Fadil Al-Mahadi, and 12 retired military officers, were preemptively arrested in connection with a planned coup plot last night, according to sudantribune.com today. A source quoted by the Jordanian al-Bawaba online service, said the group had Khartoum divided into a number of zones to execute their plans. The group had been monitored since April.

"Fourteen of them were arrested and are now being interrogated by the concerned security authorities," the pro-government Sudanese Media Center (SMC) reported, quoting a security source. Sudantribune.org reported monitoring "a series of meetings, recruitment operations for some retired military men, operations for transporting various weapons, and hiding them in Khartoum, and working out plans to create great chaos in the capital during which effective subversive acts are to be carried out and targeting of strategic institutions along with directing a call to what is called international community for immediate intervention, the Ministry of Interior said in a statement issued Saturday night adding that the 14 had been in contact with foreign countries."

See this week's InDepth for: ["Sudan Development Initiative Aims To Counter Destabilization Campaign,"](#) by Douglas DeGroot.

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[top of page](#)

[home page](#)