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## **Glass-Steagall Showdown Will Decide Your Future**

**by Jeffrey Steinberg and Nancy Spannaus**

May 18—*As this issue of EIR goes to publication, the U.S. Senate has yet to debate and vote on the Cantwell-McCain amendment to the Dodd financial reform bill, which would reinstate the Glass-Steagall Act's separation of commercial banking from investment banking and insurance.*

Lyndon LaRouche today identified the passage of a new Glass-Steagall Act as an existential issue for the United States and for the world. Unless the Senate passes the Cantwell-McCain amendment (S.A. 3884), restoring Glass-Steagall, ``the world just goes to Hell. Either we wipe out the quadrillions of dollars in illegitimate assets from the books of the banks, or the United States and the entire planet have no protection against a near-term precipitous collapse into a new dark age."

LaRouche emphasized that the passage of Glass-Steagall is a pivotal first step. Once the U.S. commercial banking system has been restored, under Constitutional standards, we can next look to Western Europe and Russia. ``But, the first crucial step must take place here, in the United States," LaRouche explained...

## **In-Depth articles from EIR, Vol. 37, No. 20**

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## **This Week's Cover**

- **LaRouche Webcast:**

- **The Greatest Crisis in Modern History**

In a webcast address May 8 from Northern Virginia, **Lyndon LaRouche** discussed first the immediate crisis the world faces, and the unique opportunity presented by the Cantwell-McCain amendment in the U.S. Senate, which calls for reinstating the Glass-Steagall law. 'The people behind McCain-Cantwell and so forth,' LaRouche said, 'are acting not as factitious politicians, they're acting as patriots. And the guys who oppose them are not acting as patriots! Because, if the British system goes down, the euro system goes down—as it will go down—one way or the other, it's doomed! This system is finished, and nobody can save it.' The second part of his presentation was a scientific discussion of what we can (and must) do next, if we succeed in getting the Glass-Steagall amendment passed. The transcript includes an extensive question-and-answer period.

## **National**

- **Glass-Steagall Showdown Will Decide Your Future**

Lyndon LaRouche said on May 18 that the U.S. Senate's passage of the Glass-Steagall separation of commercial and investment banking is an essential step toward global recovery. 'If the Senate forces through the Cantwell-McCain amendment, and the President is forced to sign it into law,' he said, 'despite his own desperate efforts to kill the amendment, then this will create the opportunity for several crucial European countries to break free from the total breakdown collapse they now face.'

- **The Implications of Glass-Steagall Today**

LaRouche PAC TV interviewed LaRouche Western States spokesman **Harley Schlanger**.

## World News

- **No to a New Versailles Dictatorship!**

- **The EU as a Federal State Is Unconstitutional**

- **by Helga Zepp-LaRouche.**

Europe's experiment with a currency union without political unity must be declared a failure, and the states of Europe must restore sovereign control over their own currencies and economic policy. If that is not done, tensions between the states will increase further, and hyperinflation like that of Weimar 1923 threatens to reemerge soon.

- **The Mass Strike Is Taking Scalps**

The defeat of two prominent Congressional incumbents, and the decision of many more not to run again for office, demonstrates the depth of anger and political mobilization in the American electorate.

- **World News Briefs**

## Editorial

- **Bankrupt BP!**

## This Week's News

### U.S. Economic/Financial News

**N.Y. Attorney General Subpoenas Banks in Widening Probe**

**Probe of Wall Street Banks Expands**

**TARP Flops as Small Businesses Remain Unaided**

**New York State Workers Furloughed**

**Home Repossessions Reach Record High**

**California: Mammograms Cancelled for Poor Women Under Age 50**

### N.Y. Attorney General Subpoenas Banks in Widening Probe

May 13 (EIRNS)—In a growing avalanche of investigations of the money-changers on Wall Street, New York Attorney General Andrew M. Cuomo issued subpoenas on May 12 to eight banks, in an investigation of whether they misled ratings

agencies about the quality of mortgage securities they were offering. The banks are Citigroup, Credit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, Morgan Stanley, USB, and Merrill Lynch, now part of Bank of America.

The companies that rated the mortgage deals are Standard & Poors, Fitch Ratings, and Moody's Investors Service.

Cuomo is also investigating the revolving door of employees of the rating agencies who were hired by bank mortgage desks to help create mortgage deals that got better ratings than they deserved. For example, the Abacus 2007-AC1 Goldman Sachs deal now being investigated by the Securities and Exchange Commission was devised in part by a former Fitch Ratings employee named Shin Yukawa, whom Goldman recruited in 2005. At the height of the mortgage boom, companies like Goldman offered million-dollar pay packages to workers like Yukawa who had been working at much lower pay at the rating agencies.

Around the same time that Yukawa left Fitch, three other analysts in his unit also joined financial companies, including Deutsche Bank. In the Fall of 2007, the Fitch analyst on a Goldman deal was a friend of Yukawa.

The rating agencies may have facilitated the manipulation of the ratings by publishing their rating models on their corporate websites. One former rating agency employee said: "The models were posted for bankers who develop CDOs to be able to reverse-engineer CDOs to a certain rating."

## **Probe of Wall Street Banks Expands**

May 13 (EIRNS)—The *Wall Street Journal* reports today that Federal prosecutors, working with securities regulators, are conducting a preliminary criminal probe into whether several Wall Street banks misled investors about their roles in mortgage-bond deals.

The banks under early-stage criminal scrutiny, J.P. Morgan Chase, Citigroup, Deutsche Bank, and UBS, have also received civil subpoenas from the Securities and Exchange Commission (SEC) as part of a sweeping investigating of banks' selling and trading of mortgage-related deals. Under similar criminal scrutiny are Goldman Sachs and Morgan Stanley.

The Manhattan U.S. Attorney's office and SEC are collaborating in the investigation. As part of the joint probe, the SEC has asked the banks for a range of documents, including final and draft prospectuses, final and draft offering documents, and investor lists associated with mortgage-related deals.

## **TARP Flops as Small Businesses Remain Unaided**

May 13 (EIRNS)—The Congressional Oversight Panel, which reviews the Treasury Secretary's use of his authority in the Troubled Asset Relief Program (TARP), today issued its May Oversight Report, titled, "The Small Business Credit Crunch and the Impact of TARP." The Report concludes that TARP is still not meeting the needs of small business, and calls into question some of the new TARP programs proffered to begin meeting those needs. Oversight Panel chairwoman Elizabeth Warren says, in a video introduction on the Panel's website (<http://cop.senate.gov/reports/library/report-051310-cop.cfm>), "So, now that Treasury has made small business lending a priority, how is it doing? The results are so far, not encouraging."

The report states: "Small businesses have long been an engine of economic growth and job creation in America. More than 99 percent of American businesses employ 500 or fewer employees, and together these companies employ half of the private workforce and create two out of every three new jobs. If the Troubled Asset Relief Program (TARP) is to meet its

Congressional mandate to promote growth and create jobs, then it clearly must address the needs of small businesses."

"Unfortunately," the report says in its Executive Summary, "small business credit remains severely constricted." Lending plummeted during the 2008 financial crisis and remained sharply restricted throughout 2009.

Warren said, in her video introduction: "Treasury's first attempt to deal with the problem, in 2008, was to lend hundreds of billions of dollars to Wall Street banks, hoping that the money would trickle down to the broader economy. This, unfortunately, was only a hope. Treasury never *required* the banks to lend their new money, and in fact, Wall Street banks have cut back on small business lending by 9 percent. This is worth noting: the cutback for small business lending is more than *double* the cutback in overall lending. The big banks pulled back on *everyone*, but they pulled back *harder* on small businesses."

The report applies this description to the largest TARP program, the Capital Purchase Program (CPP): Not only did Treasury not require recipients to use the money to improve credit access, it says, but in fact, after receiving the money, most recipients decreased their lending. Another program, the Term Asset-Backed Securities Loan Facility, "helped to restore liquidity to the securitized lending market, but because relatively few small business loans are securitized, the program had little impact on small business lending." Other TARP programs likewise have limited effect on small business because they are not targeted, or cover only a small number of institutions.

The panel's report suggests that even if Treasury succeeds in increasing the supply of credit to small business, it may not succeed, because at heart the problem is lack of *demand* for the credit. Part of a small business loan is a business that is creditworthy and in need of a loan. "Due to the recession," the report notes, "relatively few small businesses now fit that description. To the extent that contraction in small business lending reflects a shortfall of demand rather than of supply, any supply-side solution will fail to gain traction."

## **New York State Workers Furloughed**

May 11 (EIRNS)—Late last night, a desperate New York State Senate advanced a bill to the governor, allowing him to furlough 100,000 state employees for one day a week. The furloughs amount to a 20% pay reduction (and 20% workforce reduction), and will supposedly save the state \$30 million/week. The state is trying to fill a \$9.2 billion hole in its \$132 billion budget, and the legislature has now passed six weekly extensions since April 1, in order to prevent a complete government shutdown.

The move left many in the Democratic-controlled legislature questioning the legality of the budget shenanigans, but they claimed that Gov. David Patterson left them few options. While Patterson blamed the unions for refusing to forego a 4% pay increase (which he has now unilaterally cancelled), unions note that he had not even begun to negotiate until after the budget deadline, and refused to even consider replacing (more expensive) private contractors with state employees.

Unions have already filed suit, and continue to rally at the capital, sporting the Giant Inflatable Rat, that they normally use to symbolize a non-union shop.

## **Home Repossessions Reach Record High**

May 13 (EIRNS)—Real estate research firm RealtyTrac issued its latest report on home foreclosures today. While the report, and much of the media coverage, focussed on the slight decline in foreclosure filings (notices of defaults, auctions, and bank repossessions) in April, the section on actual property repossessions reported that bank repossessions hit a record monthly high last month.

The new filings for various stages of the foreclosure process were down 9% from March 2010's figures and 2% from April 2009. In contrast, the actual repossessions increased 1% from the previous month and 45% from April 2009. RealtyTrac CEO James Saccacio was quoted in its report, saying that the new numbers "show foreclosure activity has begun to plateau—but at a very high level that will not drop off in the near future." Further, Saccacio said, "We expect a similar pattern to continue for most of this year, with the overall numbers staying at a high level and ripples of activity hitting the various stages of the foreclosure process as lenders systematically work through the backlog of distressed properties."

Stated more plainly, banks appear to be moving to control, at the "front end," the glut of residences coming onto the market and depressing prices, by holding off on making the filings that move the foreclosure process along. Meanwhile, for homes already in foreclosure, the process continues along to its end in repossession.

## **California: Mammograms Cancelled for Poor Women Under Age 50**

May 10 (EIRNS)—It is the stated intent of Gov. Arnold Schwarzenegger's California Department of Public Health to keep some 52,000 women from getting mammograms. The department has "temporarily" banned new enrollments in its Every Woman Counts, and increased the age for women to be eligible for the program from 40 to 50. As the Associated Press reports, "The changes are intended to reduce the number of mammogram recipients to 259,000 this fiscal year from last year's 311,000."

Al Lundeen, spokesman for the department, refuses to report the number of mammograms the state has paid for under the program since new financial cuts were put into place Jan. 1.

Nearly 4,000 women die of breast cancer in California every year. The Every Woman Counts program was established in 1991 to provide free mammograms and diagnostic services, such as ultrasound and biopsies, for low-income women.

## **Global Economic News**

### **Financier Vampires Demand More Blood**

### **China's Not Buying Britain's Anti-Dollar Gambit**

### **Japan 'Re-Imports' Nuclear Technology to the U.S.**

## **Financier Vampires Demand More Blood**

May 10 (EIRNS)—The \$1.1 trillion pledged this weekend to feed the financial predators of the British Empire, is only the beginning of what they have planned—if LaRouche's Glass-Steagall firewall is not implemented immediately.

The European Central Bank (ECB) has announced that it will offer banks "as much cash as they need for three months and six months, and reactivate a swap line with the Federal Reserve," according to Bloomberg. This is the "nuclear option" of *unlimited* ECB money-printing that the British have been demanding for months, with the U.S. Fed being the guarantor of last resort through the swap mechanism.

"This sets a precedent for the rest of the life of the Central Bank," said the smug chief European economist at the Royal

Bank of Scotland, the flagship bank of the Inter-Alpha Group of British and allied financiers. "The ECB's intervention ... was necessary to short circuit the negative feedback loop which was getting more and more threatening for the global economy," said Jacques Cailloux.

But these same financial interests are already saying that what was done was insufficient, and that *more* bloodletting will be needed. "EMU politicians and the ECB have now pressed the nuclear option," an ING bank strategist stated. "The central question from here is whether the cumulative measures can manage to stabilize the system." Bank Julius Baer's global chief investment officer agreed that the \$1 trillion package "might temporarily calm nerves, but questions will come back later, on how they will pay for this package." Bloomberg took note of the fact that inter-bank lending rates did *not* go down on Monday after the package was announced, and concluded that the "\$1 trillion European loan plan may not be enough to restore confidence in markets."

## **China's Not Buying Britain's Anti-Dollar Gambit**

May 12 (EIRNS)—China is looking anxiously at the developments in Europe, where a large amount of its overseas financial portfolio has been relocated over the years. Europe is also a major destination of China's exports. China has spent the bulk of its more than \$2 trillion of foreign exchange reserves in dollar-denominated assets, such as U.S. Treasury bonds. It was, however, planning to diversify the structure of investment from dollar bonds to those in euros.

"But now it is clear that the euro also has risks," Yu Yongding, head of the China Society of World Economics said. "It would complicate China's policymaking. The Greek crisis fully exposed the weakness of the global economic recovery," Yu, who is also a former member of the central bank's monetary policy committee, told *China Daily*. "It is hard to predict what will happen next. The euro will probably remain weak, while the dollar will strengthen," he said.

## **Japan 'Re-Imports' Nuclear Technology to the U.S.**

May 9 (EIRNS)—Japan's Mitsubishi Heavy Industries has been chosen by Dominion Power of Virginia to build a large nuclear power reactor outside Richmond. Mitsubishi says it will sign a contract with the major U.S. utility to construct the reactor at Dominion's power station after obtaining necessary approvals. The reactor is rated at 1,700 MW, and will cost about \$5.5 billion.

The reactor will be a US-APWR (Advanced Pressurized Water Reactor) originally designed by Westinghouse, but enhanced by Mitsubishi. Beyond increasing the reactor rating from the original 1,000 MW, Mitsubishi modified the design to meet new U.S. safety standards. The core technology of the reactor remains that developed by Westinghouse.

## **United States News Digest**

[Senators Hold the Line on Cancelling Constellation](#)

[No Surprises in Arnie's Budget 'Revision,' Just More Death](#)

[Issa Confronts Holder on Special Prosecutor in Sestak Case](#)

[Anger Spreads Over Obama's Austerity Policy](#)

## White House Adopts Britain's Drug 'Harm Reduction' Fraud

### **Senators Hold the Line on Cancelling Constellation**

May 15 (EIRNS)—Led by ranking Republican Sen. Richard Shelby (R-Ala.), the Appropriations subcommittee on Commerce, Justice, Science and Related Agencies voted unanimously on May 13 to prevent the Obama Administration from cancelling contracts for NASA's Constellation program in this fiscal year. A variety of tricks and word games have been played by the White House to circumvent the existing law. The one-paragraph provision was tacked onto an emergency supplemental spending bill, which proposed to pour yet more money down the sinkhole of the war in Afghanistan. The Senators reminded the Administration that under existing legal provisions, Congress must approve any changes to NASA's manned exploration program.

This action, while a necessary assertion of Congressional authority, is simply a holding action that does not address the real problem. As has been reiterated time and again, there will be *no* Moon/Mars exploration program without a dramatic increase in funding for NASA. The Constellation program is over budget and behind schedule is almost entirely due to the fact that it has been grossly underfunded since President Bush announced it, in early 2004.

Yet, for all of the rhetoric and good statements by Members of Congress, there is no plan to provide the resources for the mission. Under the White House-centered British financial dictatorship over economic policy, that money will never be forthcoming. There are no "creative accounting" techniques that can save the space program. Only a full-fledged national commitment to ensuring the future for the next two generations can accomplish that.

### **No Surprises in Arnie's Budget 'Revision,' Just More Death**

May 14 (EIRNS)—The long-awaited "May revision" of the California State budget was announced today by the son-of-a-Nazi Gov. Arnold Schwarzenegger, and it contained no surprises, as Arnie had already leaked much of what he intends to do: impose more brutal austerity, which will further endanger the sick, elderly, and poor, while offering no serious plan to revive the state's dead economy.

While announcing that the deficit for the remainder of fiscal years 2010-11 is "only" \$19.1 billion, Schwarzenegger said that the only solution is more budget cuts. He proposed a 5% pay cut for all state workers, plus cutting one day of paid work per month; a major cut in in-home care for the elderly and disabled; eliminating what's left of state-subsidized child care; and ending the welfare-to-work program by October, which will affect hundreds of thousands of poor families with chronically unemployed adults, and more than 1 million children. He added that he has no plan to increase taxes, meaning that he intends to balance the budget by further reducing the safety net for the most vulnerable Californians.

As Schwarzenegger released his revision, other members of his budget team reported the continued drop in revenue, and expressed concern that the "housing turnaround" has not yet occurred. One staffer admitted that pay cuts to all state workers, which is a central feature in Arnie's budget plan, would "likely exacerbate the foreclosure crisis," and acknowledged that both the Federal and state mortgage modification programs have done little to help Californians avoid foreclosure.

Officials in both parties are predicting another drawn-out budget war in the legislature, along strict party lines, but key Democrats admit that they have little to offer. Repeated visits to the White House, and direct requests for more aid from Washington, have been met by the mantra "just hold on, the economic recovery is coming."

### **Issa Confronts Holder on Special Prosecutor in Sestak Case**

May 13 (EIRNS)—Rep. Darrell Issa (R-Calif.), the ranking member of the House Oversight and Government Reform Committee, today confronted Attorney General Eric Holder over the failure of the Department of Justice to respond to his request for a special prosecutor to investigate Rep. Joe Sestak's (D-Pa.) report that he had been approached by the White House to withdraw from his primary challenge to Sen. Arlen Specter in exchange for a top Defense Department job.

In a five-minute exchange with Holder, Issa asked him if he recognized that what Sestak had alleged was a crime. Holder responded as if it were a hypothetical, declaring that all such allegations are reviewed on a case-by-case basis by the Department of Justice's Public Integrity Section. When pressed by Issa, Holder would only say, it is the department's policy not to comment on pending matters, either to say there is an investigation, or to say there is not an investigation.

After the hearing, Issa said that "the very credibility of the Justice Department is compromised when the Attorney General turns a blind eye to what very well could be a felony perpetrated by someone working inside the Obama Administration. Just imagine the kind of outrage that would exist if this same type of bribe was perpetrated by the Bush Administration—would anyone tolerate a no-comment then? I doubt it."

## **Anger Spreads Over Obama's Austerity Policy**

May 11 (EIRNS)—With nearly all of the states of the U.S.A. bankrupt, the brunt of the austerity has only just begun, and local protests—ignored by the national media—are heating up, with ordinary citizens even taking arrests. A few examples:

**Hawaii:** About 20 protesters were arrested last month for occupying the office of Gov. Linda Lingle, demanding that she end school furloughs that have left Hawaii with the shortest school calendar in the nation. The protests are led by Save Our Schools-Hawaii, which demands that Lingle sign a bill releasing the funds to restore the lost days.

**New York:** Rallies and demonstrations organized by the New York State Public Employees Federation and the Civil Service Employees Association, were staged on May 10 at 14 locations to try to stop a plan to furlough public workers for one day a week—a 20% pay cut.

**California:** UC Berkeley protests and hunger strikes on both the immigration issue and budget cuts are in the second week. On May 10, a campus march blocked entrance to the Chancellor's residence. Police have not been able to remove the 19 hunger strikers from the campus grounds.

In Los Angeles, 14 protesters were released on May 10, after four days in jail. Arrested for blocking traffic in protest of the Arizona immigration laws, they are part of a national protest that has reportedly brought 1 million people out into the streets.

**Illinois:** Hundreds of high school students walked out of school to rally on May 5 against deep cuts in the budget for Chicago public schools. Classrooms are slated to be increased to up to 35 students, and some courses eliminated. The rally drew 800 students from Whitney Young High School alone. They were attacking the inaction by the elected officials in Springfield.

**Ohio:** The Toledo Foreclosure Defense League has been in a standoff with the local sheriff over the foreclosure of the home of Keith Sadler, a laid-off autoworker. Last week, after a five-day standoff, seven people, including Sadler, were arrested, at the foreclosed home.

## **White House Adopts Britain's Drug 'Harm Reduction' Fraud**

May 11 (EIRNS)—President Obama today rolled out a "new" anti-drug strategy which officially adopts Nazi-trained, British-run George Soros's hated "harm reduction" fraud as policy, even if those code words were never used. Patriotic law enforcement officials know this means capitulation.

Today's White House conference call on this 2010 National Drug Control Policy strategy was surreal. The Secretaries of Health and Education joined Office of National Drug Control Policy chief Gil Kerlikowske, to make the claim that their collaboration on prevention and treatment can roll back the drug epidemic destroying U.S. youth. Education Secretary Duncan put drug addiction in the same category as bullying and teen pregnancy, and suggested that getting a "Just Say No" message on social networking sites will stop this menticide. Health Secretary Sebelius's one truthful remark, was that this "strategy" is in line with Obama's stimulus program and "health care" bill. Homeland Security Deputy Secretary Jane Lute was left to sound the uncertain note, that "*if*" it were possible, "and we intend to try," there would be a step-up of interdiction of drugs entering across U.S. borders.

The official adoption of Soros strategy goes hand-in-hand with the elaboration of a "new" hemispheric strategy on drugs. In a May 3 address to the Inter-American Drug Abuse Control Commission (CICAD), Kerlikowske chattered on about multilateral collaboration on the Obama team's three priorities of drugged driving, prescription drug abuse, and prevention.

## Ibero-American News Digest

**[Lessons of Argentina for Greece and Spain: Forget Bailouts, Restructure!](#)**

**[Sonorans March for PLHINO Water Projects](#)**

**[Brazil Promises No Crisis Will Hit 'Us'](#)**

### **Lessons of Argentina for Greece and Spain: Forget Bailouts, Restructure!**

May 16 (EIRNS)—Argentine President Cristina Fernández de Kirchner repeatedly warned over the past week that the bankers' dictatorship imposed on Greece and other European nations, is "doomed to failure," as it imposes policies similar to those which led to social upheaval and default in Argentina.

The Greek bailout is intended to "bail out the financial system," Fernández charged in a May 10 nationally televised speech. She compared the Greek plan to the fraudulent \$20 billion debt-swap swindle in 2001 in Argentina, which imposed brutal austerity, even as the financiers knew full well that it would blow apart and lead to default in a matter of months.

The subject of her speech was the announcement of a plan to refinance 89% of the debt of the provinces, freeing up resources to address social problems and economic development. She explained that she is adopting such measures "at a very special time," not only for Argentina, but for the world, "where we see there is an attempt to apply the same prescriptions [to Greece] that were applied to us, and which provoked the explosion of 2001."

"Here you have a policy that intends to shrink a country's GDP, while at the same time, [making] it pay more debt than it had when the crisis began. It doesn't take an economist to see that, if, as a result of the [austerity] adjustment, my accounts and my numbers shrink ... it's obvious that I'm not going to be able to repay the loan they've just given me."

The architects of these policies "are repeating policies, which, in reality, are an attempt to rescue the financial system. We feel that these policies are doomed to failure, and that's why we don't apply them in our country," she said.

The next day, former President Néstor Kirchner, the current President's husband, who forced a debt restructuring upon Argentina's creditors during his term in office (2003-07), to save the nation from disintegration, told a political gathering in the city of Córdoba:

"I'm warning the people of Greece and Spain to beware" of the IMF's austerity policies. The IMF's "adjustment" policies "didn't meet the global needs of nations" like Argentina, "which were in a very grave situation because of those very same policies." Evidently, "the IMF today continues with the same prescriptions, the same thinking, the same concepts. That's why we believe that, other than bailing out financial groups, [these policies] serve no other purpose than to [impose] austerity and cause nations to suffer."

"Thus," the former President concluded, "we respectfully say to our Spanish and Greek brothers, beware the IMF's prescriptions."

### **Sonorans March for PLHINO Water Projects**

May 12 (EIRNS)—Some 30,000 people marched in Ciudad Obregón, Sonora on May 5 against schemes by Mexican billionaire Carlos Slim, a front-man for Prince Philip's World Wildlife Fund (WWF), to privatize water in the desert state. This was double the size of the first march of a couple of months ago; the main speaker was Alberto Vizcarra, the leader of the LaRouche movement in the northwest of Mexico. There were 500 tractors in the march.

The slogan was: "No to the Novillo; the PLHINO and desalination are the solution." The Novillo is the PAN government's plan to build a canal from the Novillo Dam on the Yaqui River, which now provides water to the Yaqui Valley farmers and others, to transfer water to the city of Hermosillo, and *privatize* it to Carlos Slim interests and others. The PLHINO is the Northwest Hydraulic Plan, the long-planned but never implemented project to create one unified water system across the three northwest states of Nayarit, Sinaloa, and Sonora, bringing water into the dry northern region through a series of dams, tunnels, and canals.

Vizcarra reported that "we made an alliance with the Yaqui Tribe [of Indians] which we called the Yaqui River Pact. Cuauhtemoc Cárdenas contacted us, and we are scheduling a visit of his to back the Pact, and in defense of the decree issued by his father, Gen. Lázaro Cárdenas, which from the building of the first dam on the Yaqui River established that water is for the production of food, and not for private speculation. With this we have broken the attempts to isolate us, and are forcing a national discussion."

Vizcarra's speech, widely covered in the local media, also received some national coverage. He focussed on those who want to "steal the water of the Yaqui River and hand it over to private interests that, like vampires, are flying over Sonora," adding that the movement would not be stopped by "the mountains of lies nor the mountains of dollars of Carlos Slim." Both Lázaro Cárdenas and the Mexican Constitution of 1917 affirm that "water is a strategic good for economic development and the benefit of the entire population."

Vizcarra's other theme was that today's movement must answer to both Mexico's past and future. "The spirit of Cárdenas and Norman Borlaug is now here. They see us and they hear us." Borlaug, the late American agronomist, is well known and loved in Sonora, since he worked there for years for his Green Revolution.

"We will not be drowned in localism.... [We will] make Sonora the birthplace of the Hydraulic Revolution which the

future of Mexico urgently needs.... From the mountain of the future, we can see that victory is ours," Vizcarra told the marchers.

## **Brazil Promises No Crisis Will Hit 'Us'**

May 14 (EIRNS)—It's the well-known first sign of financial trouble: ministers and central bankers issuing repeated statements that "there's no crisis here." On May 11, Brazilian Finance Minister Guido Mantega stated that no one should be worried about the fact that the "Greek crisis" the week before had caused \$2 billion to flee Brazil. Brazil's economy is in such excellent shape, he lied; with \$250 billion in reserves to cushion it, that \$2 billion in capital flight barely made a dent. Brazil is "inoculated" against crisis, he boasted.

Central Bank chief Henrique Meirelles spent the week assuring investors (publicly, at least), that Brazil is closely watching the development of the crisis in Europe, but has all the needed tools to confront with serenity any possible impact.

## **Western European News Digest**

### **German Banker Calls for Glass-Steagall**

### **British Unions Warn of Greek-Style Protests**

### **Mass-Strike Process: Belgians Rally for Unity**

### **Secret Central Bankers' Huddle in Zürich**

### **Municipal Deficits Deepen in Germany**

## **German Banker Calls for Glass-Steagall**

May 13 (EIRNS)—Dieter Brand, director of the Sparkasse Bielefeld savings bank in the German state of North Rhine-Westphalia, called for legislation to drive back the influence of the speculative banks. "We have been taken hostage by these international mega-institutions, which operate with enormous sums, and that is why they must be shrunk, and if need be, taken apart by force," he said.

A similar approach was taken in the Great Depression of the 1930s in the U.S.A. with the Glass-Steagall Act, Brand said. Major speculative banks like Goldman Sachs and Morgan Stanley today simply cannot be controlled from the outside, not even by their own management, Brand added, and these mega-banks played a leading role in the recent speculative attacks on the euro.

The BüSo party, led by Helga Zepp-LaRouche, ran 34 candidates in the recent North Rhein-Westphalia legislative election campaign, in which the call for a global Glass-Steagall was a prominent feature.

## **British Unions Warn of Greek-Style Protests**

May 10 (EIRNS)—British trade unions, especially in the public sector, are warning that they will fight any new

government attempts to slash jobs, salaries, services, and pensions. The *Daily Mail* warns that Great Britain faces "Greek-style riots" as the next government will implement brutal cuts, to bail out the City of London.

The most outspoken of these leaders is Bob Crow, general secretary of the Rail and Maritime Transport Union, who said: "When the British people realize just how seriously they have been misled by the political elite over the attacks on living standards and public services that have been kept under wraps, it will unleash a tidal wave of strikes and public protests that will mirror the growing resistance on the streets of Athens."

### **Mass-Strike Process: Belgians Rally for Unity**

May 14 (EIRNS)—With federal elections scheduled to be held in Belgium on June 13, which are expected to increase the tensions created by a handful of demagogic politicians around the Flemish-Walloon language conflict, an angry Belgian population is increasingly eager to express its rejection of the "political class."

Marie-Claire Houard, a former postal employee from Liege, whose call three years ago brought 34,000 Belgians into the streets in a demonstration for Belgian unity, called last week for another demonstration, on May 16, and a peaceful march through the center of Brussels.

### **Secret Central Bankers' Huddle in Zürich**

May 11 (EIRNS)—Central bankers, market financiers, and other officials on today began an all-day, closed-door meeting in Zürich, Switzerland, on the global financial system. "The conference aims to advance the reflection on the functioning of the international monetary system and to engage policymakers in an informed dialogue about what reforms might be desirable over the medium to long run," said the program for the event, co-sponsored by the International Monetary Fund and the Swiss National Bank. Bankerspeak for "It's time to push the panic button"?

### **Municipal Deficits Deepen in Germany**

May 14 (EIRNS)—Frankfurt Mayor and chairwoman of the municipal association of Germany, Petra Roth, sounded the alarm today, when presenting corrected forecasts of what the deficit of cities will be, at the end of this year. Originally expected to be EU12 billion, it now appears that it will rise to EU15 billion, if not even more; the figure of EU12 billion was already the worst in German postwar history. Roth blamed the national government's budget-cutting for at least half of the deficit, since Berlin took tax revenues away from the cities, by decreeing tax breaks for enterprises and cutting state subsidies for the cities at the same time.

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

[LaRouche on 'British School of Treason' in Russia Featured](#)

[Russia, Turkey Agree on Nuclear Power Plant](#)

### **LaRouche on 'British School of Treason' in Russia Featured**

May 12 (EIRNS)—Lyndon LaRouche's exposé of "the British school of treason" in Russia, during his March 13, 2010 "Ides of March" webcast, is featured in the latest issue of the prominent Russian weekly *Zavtra*. The newspaper today

published the first part of a Russian translation of Rachel Douglas's article "London's 'Our Men' Continue To Poison Russian Policy," from *EIR* of March 26, together with its accompanying documentary interviews. The article appears on the main page of *Zavtra*'s website and page 2 of the print edition.

Headlined by *Zavtra*, "The Party of Treason: Poison for Russia," the article leads with this quotation from LaRouche, which is also featured on the website: "[From] the middle of the 1980s on, the leading forces in Russia, today, were trained and directed by British intelligence circles, largely inside London, itself.... These characters, like Chubais—not only Gorbachov, but Chubais and others, who are part of the British school of treason, from a Russian patriotic standpoint, ... are behind the major problems we have today."

Concerning the documentation, interviews in which the late Lord Harris of High Cross referred to Russian officials Yegor Gaidar and Anatoli Chubais as "our men," the editors of *Zavtra* added their own note: "These transcripts from 14 years ago clearly demonstrate not only the well-known fact that a significant part of the Soviet 'elite' was prepared to betray their country, converting power into property, but also the far less known fact that they did this on direct instructions from their immediate superiors." *Zavtra* promises publication of the conclusion of the article (in which more is said about the roles of Soviet General Secretaries Yuri Andropov and Mikhail Gorbachov), next week.

The conclusion of the first installment is especially timely, in the context of the current circulation in Russia of LaRouche Political Action Committee releases on the fight in the United States for restoration of the Glass-Steagall law. The Russian version reads: "Russia urgently requires, as much as any nation does, LaRouche's proposed bankruptcy reorganization (under the principles of the American Glass-Steagall law of 1933), of the entire London-centered international system of speculative monetary flows, on whose behalf Russia has been looted."

## **Russia, Turkey Agree on Nuclear Power Plant**

May 11 (EIRNS)—Russia and Turkey have reached agreement on building Turkey's first nuclear power station. Russian Energy Minister Sergei Shmatko, in an interview with the Turkish Cihan news agency, confirmed the deal, which includes the price of the electricity to be generated by the plant. It will have four 1.2 GW reactors in a cluster near the Mediterranean port of Mersin in the Akkuyu area.

In June 2009, an international consortium consisting of Russia's nuclear power equipment and service export monopoly Atomstroyexport, electricity export company Inter RAO UES, and Turkish Park Teknik won a tender for the construction of the first nuclear plant in Turkey, but that deal was scrapped by Ankara authorities on grounds that the price for electricity generated from the plant was extremely high. Resolution of that issue allowed the final signing of the new deal to go ahead during Russian President Dmitri Medvedev's May 11-12 official visit to Turkey.

Russia will also be responsible for financing the project. Russia is Turkey's biggest trading partner.

Turkey's electric power situation is desperate—in 2015, it will have a deficiency of 5 GW before these reactors come on line.

## **Southwest Asia News Digest**

**[U.S. Should Break with Anglo-Israeli War Drive Against Iran](#)**

**[Joint Declaration by Iran, Turkey, and Brazil; Tehran, Iran, 17 May 2010](#)**

## **U.S. Should Break with Anglo-Israeli War Drive Against Iran**

May 17 (EIRNS)—An agreement for Iran to deposit 1,200 kilograms of its stockpile of low enriched uranium (LEU) with Turkey, in cooperation with the International Atomic Energy Agency (IAEA), has been welcomed by several leading members of the UN Security Council. The agreement is the first step of a process to swap the LEU for 120 kg of uranium enriched at a higher level—close to 20%—for use in Iran's medical research reactor. The text of the agreement, signed by the foreign ministers of Iran, Turkey, and Brazil is printed below.

According to a well-informed Washington, D.C. source, this deal could become an avenue for backing away from the provocative international sanctions that are merely a stepping stone to war. What the U.S. will insist upon, this source said, is that the IAEA monitor the LEU stockpile "every step" along the way. There are also some questions that the U.S. and other UNSC members have about whether Iran has already completed enriching uranium to nearly 20%, as some public statements by Iranian officials have claimed.

Turkish Foreign Minister Ahmet Davutoglu praised the agreement as a "constructive path" that shows Iran's willingness to cooperate internationally, and which should eliminate the "ground for new sanctions and pressures." Prime Minister Recep Tayyip Erdogan said that if the international community accepts the "process" as outlined, this could avoid possible further UN sanctions.

Lyndon LaRouche has fully supported Iran's development of nuclear energy, and has denounced the Anglo-Israeli drive for war, which is being allowed by British-puppet, President Barack Obama. However, LaRouche has warned for more than a year that only a Four-Power agreement among the U.S., Russia, China, and India, could ensure peace in the region, and have enough strength to override the British Empire-Obama-Israeli warmongering.

Russian President Dmitri Medvedev said he "welcomed" the nuclear agreement—the possibility of which had been mentioned during his visit to Turkey a week earlier, where he met President Abdullah Gul. Speaking today in Ukraine, Medvedev warned, however, that the agreement might not be sufficient to end the calls for sanctions by some UNSC members.

In the U.S., White House press secretary Robert Gibbs did not condemn the agreement, but neither did he indicate U.S. support. He said it would be "progress" if Iran were to ship out 1,200 kilograms of LEU, but insisted that the October 2009 deal that Iran rejected is what the U.S. still wants. As part of the "Vienna Group" of the IAEA, the U.S., along with Russia, France, and the IAEA itself, would play an important part in new agreement.

The Netanyahu government in Israel is reportedly livid about the deal because it may slow the drive for international sanctions, but the prime minister's and foreign minister's offices have issued orders for no statements to be made on this issue until the official response "from the West"—i.e. the United States—is made.

### **Joint Declaration by Iran, Turkey, and Brazil; Tehran, Iran, 17 May 2010**

Having met in Tehran, Islamic Republic of Iran, the undersigned have agreed on the following Declaration:

1. We reaffirm our commitment to the Treaty on the Non-Proliferation of Nuclear Weapons and in accordance with the related articles of the NPT, recall the right of all State Parties, including the Islamic Republic of Iran, to develop research, production and use of nuclear energy (as well as nuclear fuel cycle including enrichment activities) for peaceful purposes without discrimination.

2. We express our strong conviction that we have the opportunity now to begin a forward looking process that will create a positive, constructive, non-confrontational atmosphere leading to an era of interaction and cooperation.
3. We believe that the nuclear fuel exchange is instrumental in initiating cooperation in different areas, especially with regard to peaceful nuclear cooperation including nuclear power plant and research reactors construction.
4. Based on this point the nuclear fuel exchange is a starting point to begin cooperation and a positive constructive move forward among nations. Such a move should lead to positive interaction and cooperation in the field of peaceful nuclear activities replacing and avoiding all kinds of confrontation through refraining from measures, actions and rhetorical statements that would jeopardize Iran's rights and obligations under the NPT.
5. Based on the above, in order to facilitate the nuclear cooperation mentioned above, the Islamic Republic of Iran agrees to deposit 1200 kg LEU in Turkey. While in Turkey this LEU will continue to be the property of Iran. Iran and the IAEA may station observers to monitor the safekeeping of the LEU in Turkey.
6. Iran will notify the IAEA in writing through official channels of its agreement with the above within seven days following the date of this declaration. Upon the positive response of the Vienna Group (US, Russia, France and the IAEA) further details of the exchange will be elaborated through a written agreement and proper arrangement between Iran and the Vienna Group that specifically committed themselves to deliver 120 kg of fuel needed for the Tehran Research Reactor (TRR).
7. When the Vienna Group declares its commitment to this provision, both sides will implement the agreement in paragraph 6. Iran is prepared to deposit the LEU in Turkey on the basis of the agreement in no later than one month. On the basis of the same agreement the Vienna Group should deliver 120 kg fuel required for the TRR to Iran in no later than one year.
8. In case the provisions of this Declaration are not respected Turkey, upon the request of Iran, will return swiftly and unconditionally Iran's LEU to Iran.
9. Turkey and Brazil welcomed the continued readiness of the Islamic Republic of Iran to pursue its talks with the 5+1 countries in any place, including Turkey and Brazil, on the common concerns based on collective commitments according to the common points of their proposals.
10. Turkey and Brazil appreciated Iran's commitment to the NPT and its constructive role in pursuing the realization of nuclear rights of its Member States. The Islamic Republic of Iran likewise appreciated the constructive efforts of the friendly countries Turkey and Brazil in creating the conducive environment for the realization of Iran's rights.

[Signators:]

Manucher Mottaki; Minister of External Relations of the Islamic Republic of Iran

Ahmet Davutoglu; Minister of Foreign Affairs of the Republic of Turkey

Celso Amorim; Minister of Foreign Affairs of the Federative Republic of Brazil

# Asia News Digest

## U.S. Appears To Change Its Tack with Karzai

## Thailand's Anglophiles Hysterical over U.S. Role

## Japan 'Re-Imports' Nuclear Technology to the U.S.

## Soros: Environmental Bribery in Indonesia

### **U.S. Appears To Change Its Tack with Karzai**

May 12 (EIRNS)—Facing an impossible situation in Afghanistan, President Obama, who had been discourteous to Afghan President Hamid Karzai during his recent "under the cover of darkness" visit to Kabul, was all graciousness to Karzai, who is now visiting Washington.

The shift was the result of two events which are in progress. To begin with, the U.S. and NATO have amassed about 35,000 troops in and around Kandahar province, with the intent of creating a security corridor between Kandahar and Helmand provinces in southern Afghanistan. Taliban insurgents are pretty much in control of this area. However, the non-Taliban locals are under the control of President Karzai's brother, Ahmed Wali Karzai, and Washington has come to realize that without the permission of Karzai and his brother, a military operation in Kandahar is a non-starter.

Second, prior to Karzai's arrival in Washington, his advisor Masood Stanekzai made public that Karzai is talking to the insurgents, and, in four of the 34 provinces of Afghanistan, the insurgents have agreed to lay down their arms. These insurgents are Pushtuns; they are anti-Pakistan, anti-U.S./NATO, not pro-Saudi and not anti-Iran. Although the London *Daily Telegraph* has attacked Karzai's reconciliation process, which is aimed against the British-Saudi nexus, some in Washington, particularly Secretary of State Hillary Clinton and Secretary of Defense Robert Gates, have come to realize the importance of this development.

### **Thailand's Anglophiles Hysterical over U.S. Role**

May 10 (EIRNS)—The May 8 visit of U.S. Assistant Secretary of State Kurt Campbell to Thailand, where he held a meeting with former cabinet members of the (deposed) Thaksin Shinawatra government and others in the opposition "Red Shirt" movement, evoked hysteria among the British assets in Thailand's government and media. U.S. Ambassador Eric John was summoned by Thai Foreign Minister Kasit Piromya, who reprimanded Secretary of State Hillary Clinton's top assistant for Asian affairs for meeting with "opposition politicians linked with an illegal protest" that has "terrorists" in its midst, according to Kasit's secretary. Ambassador John stood his ground, and told Kasit that the U.S. would not take sides, and that the government should "avoid using force."

The British plan to blow up Thailand, to disrupt mounting support for Asian unity, seems to have been given a severe blow, with U.S. help.

The leading British/Wall Street newspaper in Thailand, *The Nation*, is frantic. One article ranted, "We all know the Red Shirts have committed serious crimes deserving of capital punishment." It accuses the Army of helping the demonstrators and refusing orders to crack down, a "neglect of duty," and an affront to "the monarchy and the nation."

## Japan 'Re-Imports' Nuclear Technology to the U.S.

May 9 (EIRNS)—Japan's Mitsubishi Heavy Industries has been chosen by Dominion Power of Virginia to build a large nuclear reactor outside Richmond. Mitsubishi says it will sign a contract with the utility to construct the reactor at Dominion's power station, after obtaining necessary approvals. The reactor is rated at 1,700 megawatts and will cost about \$5.5 billion.

The reactor will be a U.S.-APWR (Advanced Pressurized Water Reactor) originally designed by Westinghouse, but enhanced by Mitsubishi. Beyond increasing the reactor rating from the original 1,000 megawatts, Mitsubishi modified the design to meet new U.S. safety standards. The core technology remains that developed by Westinghouse.

## Soros: Environmental Bribery in Indonesia

May 12 (EIRNS)—Speculator and drug-pusher George Soros was in Jakarta, Indonesia, openly offering bribes to the government to sequester more of the country's forest and wetlands from development, in the name of preventing climate change.

After a meeting with President Susilo Bambang Yudhoyono and Forestry Minister Zulkifli Hasan, Soros said at a press conference that the UN Secretary General's High-Level Advisory Group on Climate Change Financing, of which he is a member, was raising funds internationally to support Indonesia's efforts to cope with climate change. "Clearly by protecting the forests and particularly the peat areas, Indonesia has to bear some opportunity costs, and doing it benefits the entire world," Soros said.

President Yudhoyono indicated his willingness to sell off even more of his country as long as the money keeps flowing. "The President stressed Indonesia's commitment to reducing [carbon] emissions by 26% by 2020, and up to 41% if international support is forthcoming," said Dino Patti Djalal, an advisor for international affairs, at the Presidential Office. Djalal is slated to be Indonesia's next ambassador to the United States.

The Advisory Group on Climate Change Financing was created by Secretary General Ban Ki-moon in late February with little fanfare. Besides Soros, the 19 members of the group include Gordon Brown, Lawrence Summers, and Nicholas Stern.

## Africa News Digest

### [Chad President Calls Break-Up of Sudan 'a Disaster for Africa'](#)

### [ICC Representative Refuses To Answer \*EIR\*](#)

## Chad President Calls Break-Up of Sudan 'a Disaster for Africa'

May 13 (EIRNS)—Chad President Idriss Deby Itno said recently that the possible dismantling of Sudan would be the biggest disaster inflicted on Africa since independence. Deby warned that "the fragmentation of Sudan will open the door for fragmentation of other African countries." Many African countries fear that the division of Sudan would encourage secessionist sentiments in their own countries, which has long been the goal of the British financial empire. Deby's comments in two magazine interviews were quoted in a Xinhua release that was posted in *Sudan Vision* today.

He emphasized the danger for all of Africa: "The secession of southern Sudan from the motherland will make it difficult in the future to fight against any separatist movements in the African countries, most of which suffer from religious, tribal and ethnic differences, as well as wealth disparities between regions that belong to the same state.... I say it loud, I am against this referendum [separation] and against the possibility of division."

He said that he is strongly opposed to the January 2011 referendum in southern Sudan, "for the simple reason that all the sons of the south and north are the sons of the unified Sudan. The only difference is that those who live in the north are Muslims and the others in the south are Christians."

Deby emphasized that the founding fathers of the Organization of African Unity (predecessor of the African Union) insisted on treating the borders of African countries, as they were inherited from the colonial era, as sacrosanct, because once the precedent was established that these borders could be changed, manipulated operations by the British imperial financial forces would never stop, and Africa would remain weak and undeveloped.

Deby's statements carry added significance because of past tensions between Chad and Sudan for the five-year-long Darfur conflict, as the two countries exchanged accusations of support for rebels in each other's territory. The two countries concluded a peace agreement in January. They set up a 3,000-strong joint force for border security, and observation posts at Abeche in eastern Chad, and El-Geneina in Darfur.

## **ICC Representative Refuses To Answer *EIR***

May 11 (EIRNS)—At a forum today on the International Criminal Court (ICC) in Washington, D.C., Juan Mendez, an advisor to the Court, was grilled by *EIR*'s Lawrence Freeman, who Freeman exposed the illegitimacy of the ICC as a world court, its creation by British operatives George Soros and Lord Malloch Brown, and its fraudulent claims of genocide, against Sudanese President Bashir, as part of a campaign for regime change. Freeman asked: "What right does this world court have to intervene against the sovereignty of a nation like Sudan?"

Mendez said that he would refuse to answer, because Freeman was only expressing his opinion.

After the forum, Freeman approached Mendez to correct his statement about the ICC's intervention into Kenya, Mendez angrily stuck his finger in Freeman's face, and declared, "I know who you people are, what you do. You will not follow me down the block saying these terrible things."

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