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Cheminade: Let's Stop Putting France on Sale
Mexico's Elections Open Period of Global Struggle
An Inside View of Putin's Russia: A Dialogue

The Snake and the Rabbits: Synarchist Plot Exposed



EIR

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From the Associate Editor

On Thursday, July 20 at 1 p.m. Eastern Time, Lyndon LaRouche will address a webcast on the topic “Rohatyn as Satan.” As *EIR* readers know, LaRouche is leading the international battle to politically destroy the Synarchist banker Felix Rohatyn, who is both the immediate heir of the French Synarchist Nazi networks in France, and the direct orchestrator of the takedown of American industry, from steel to auto. He is also the financial “angel” (in his case, a fallen angel) who bears responsibility for the gutless backdown of the Democratic Party leadership in the Senate, from its relatively effective political role on crucial issues, prior to last Fall. The webcast will be at www.larouchepac.com and www.larouchepub.com.

Liberating the Democratic Party from Rohatyn’s influence is key to reversing the otherwise disastrous strategic and economic situation. The LaRouche movement, and particularly its youth wing, the LYM, is mobilized to distribute the vast array of evidence we have assembled to nail this guy. Rohatyn works as a typical Synarchist rat—behind the scenes, with stilleto in hand; he has no grassroots support. The LYM, on the other hand, has been conducting a saturation campaign into the Democratic Party, in targetted regions of the country, organizing for Rohatyn’s early downfall.

In this week’s *Feature*, Tony Papert and Jacques Cheminade supply additional crucial intelligence for this international campaign. Cheminade, a candidate for the 2007 French Presidential elections, has assembled an extensive dossier on the Synarchist networks in France today—the people who, with their Anglo-American and other cronies—are committed to bringing about a fascist takeover again. This time, it will be called “globalization.” Our *Economics* lead provides additional background on the moves in Synarchist financial circles, to wipe out General Motors.

We also bring you this week an intensive picture of what’s going on in Russian leadership circles, presented by participants in *EIR*’s Berlin seminar of July 27, as well as by writer Roman Bessonov. Will President Putin go for LaRouche’s New Bretton Woods? Will he dump his monetarist advisors? He plays his cards close to his chest as always, but some highly interesting developments are occurring—completely outside the attention of the Western media.

Susan Welsh

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The Snake and the Rabbits

by Tony Papert

Jacques Cheminade, the author of the accompanying article, is a brilliant leader of France, who is hated by the mediocrities, because they resent the competition. He is also a candidate for President of France.

But it will be difficult for the English-speaking reader to grasp the implications of Cheminade's use of the French language. (The French original may be found at www.cheminade2007.org.) To begin with, despite the ghastliness of the apparent subject, which is that yet another fascist takeover of France is now in process, nevertheless, the French-educated reader will immediately sense that the article and its author alike are actually tremendous *fun*.

In his style and his viewpoint, Cheminade represents the legacy of France, going back to Louis XI and Rabelais.

Cheminade is working from the standpoint of the issue of Synarchy, and looking at France from the standpoint of Synarchy, whose history goes back to the formation of the Martinist Order in the 18th Century, when a series of forced-march reorganizations of European Freemasonry, pushed through from London, finally hatched Martinism out of France as an elite, super-secret occult Freemasonry.

Early Martinist leaders included the Franz Anton Mesmer exposed as a hoax by Benjamin Franklin and his French ally Jean Sylvain Bailly; the conspirator Giovanni Casanova who was the target of Mozart's opera *Don Giovanni*; and blood-thirsty Savoyard nobleman Joseph de Maistre, the designer of the personality and role of Napoleon Bonaparte, and thus of such later knock-down imitations as Napoleon III, Mussolini,

and Hitler. It was thus with some justice that the late Isaiah Berlin of British Intelligence, dubbed Maistre the "first fascist."

Beethoven antagonist Johannes Maelzel, whose claim to have invented "artificial intelligence" was exposed as a fraud by Edgar Allan Poe in a famous 1836 newspaper article, belonged to a later Martinist/Synarchist generation.

It was the Martinist Order, including a personal role by its then-nominal leader, Louis-Claude de Saint-Martin, which arranged the butchery and lunacy of the French Revolution. This snuffed out the possibility,—or rather, the immediate prospect,—that the just-won American Revolution would be repeated in Europe's most advanced country, France. Then the Revolution's sequel in the so-called Napoleonic



Nazi troops in Paris during World War II. The context for Cheminade's article (p. 6) is "his understanding of France and its special history, located in the issue of Martinism from 1785 to today" and the "role of the Paris-based Synarchy, as a top-level secret committee of financier families, in bringing fascism to power throughout continental Europe from 1922-45. . . ."



U.S. National Archives

Adolf Hitler in Paris, with Albert Speer (left), in 1940. The financial group of Anglo-Dutch liberals and French Synarchists who created Hitler, are the same crowd behind Felix Rohatyn et al. today.

Wars, smashed all of Continental Europe into a pulp from which it would not begin to recover for two generations. The new American republic was isolated.

Thus, we have here a specifically, idiosyncratically French entity, Martinism/Synarchy, which, on the other hand, is also identical to the current, post-1763 form of Anglo-Dutch Liberal world empire,—today called “globalization.” We see this story repeated and confirmed in the history of Martinism/Synarchy from 1785,—when Martinist magician “Count Cagliostro” (Joseph Balsamo) rigged the “Queen’s Necklace Affair” to prepare the French Revolution,—right through to the present.

Thus, the context for Cheminade’s article is his understanding of France and its special history, located in the issue of Martinism from 1785 to today.

The role of the Paris-based Synarchy, as a top-level secret committee of financier families, in bringing fascism to power throughout continental Europe from 1922-1945, is well-known and has been documented before in these pages. We have also called attention here, to the repeated failure of the French Synarchy to overthrow the Third Republic and put

France under fascist dictatorship, through three failed coup attempts between 1923 and 1938. It was this record of failure which led the French Synarchist Charles Maurras (1868-1952), to say of the Nazi invasion of 1940, which led to the establishment of the French fascist “Vichy” government over the south of France, that it was a “divine surprise.” But it was in reality no surprise to the Synarchy, which had opened the gates to the Reichswehr,—this is the answer to the “mystery” of how a great power like France could fall to Hitler after only six weeks of fighting.

Now, in a sense, we have come full circle, as Cheminade indicates.

As Lyndon LaRouche said in a recent discussion, “The problem is, people make the Hitler Nazi movement as the problem of that period, rather than seeing the Hitler Nazi movement as an instrument of the forces, an expendable instrument of the forces who caused the problem and were directing it. Hitler is dead. The Nazis are generally dead. *But!* The people who created them as an instrument are still alive, and are on the verge of taking world power today.

I would add to that,” he continued. “People exaggerate the significance of the Hitler Nazi movement, which was a terrible thing in its time, but it was a creation, a puppet of a much larger force, which was temporarily embarrassed at the end of the war, when Hitler was defeated, but came back in the name of being our ‘necessary anti-Communist allies.’

“That’s the truth of the matter. There’s no difference between the people, of the financial group, which are Anglo-Dutch Liberal and French Synarchist, who created Hitler, and created that intention, and the crowd behind Rohatyn today. That’s the concept. That’s the truth of the matter.”

As the long-time head of Lazard Frères for the United States, Felix Rohatyn was, and still is, a topmost representative of the Synarchist International worldwide. It was Lazard Frères which was identified by U.S. intelligence, during World War II, as the center of the Paris-based Synarchist/fascist conspiracy, along with France’s Banque Worms, a Lazard creation. Rohatyn’s patron and virtual father, André Meyer, who brought him into the bank and anointed him as his successor, had been named by U.S. intelligence as a Synarchist controller, from the days when he was a top leader of Lazard Paris, before 1940.

Now Rohatyn and the Synarchy are entering the last phases of a new “trustification,” like that which prepared the way for Nazism earlier, in which they are seizing and destroying the elements of physical economic infrastructure and real-wealth production, on which the sovereign nation-state, their chosen enemy, depends for the possibility of its existence.

As you will see in Cheminade’s report, most of the French elite is playing the part of the rabbit hypnotized by the snake,—those, that is, who have not thought it safer to join with the snake against the other rabbits. The majority of the U.S. Senate is doing the same thing.

Cheminade is not.

Let's Stop Putting France on Sale

by Jacques Cheminade

LaRouche associate Cheminade is a candidate in the 2007 French Presidential elections.

On presenting the European Green Book on Energy, **José Manuel Durão Barroso**, chairman of the European Commission, let the cat out of the bag: "Once and for all, let there be an end to protectionism and knee-jerk patriotic reactions," he said. Claiming opposition to this, France's Prime Minister, **Dominique de Villepin**, puts forward his "economic patriotism."

The truth lies elsewhere than in the nice words of the politicians. Beyond the facade, one must face reality: At the center of a French capitalism gone mad, which is to say financial, there is a veritable invasion of our public arena by an avalanche of multinational, "non-resident" interests. Their objective is to destroy what remains of the French nation state, and to impose the power of a financial conglomerate—synarchist and oligarchical—without honor, law, or borders.

This financial fascism emerges brutally, as it did during the thirties, with the same economic features and for the same reasons. In the context of the breakdown of the international monetary system, it intends to build an Empire capable of crushing any resistance, and imposing the social austerity needed to maintain its power, while writing off, if necessary, parts of its own assets.

This passage to the political phase of the financial derailing, began on Aug. 15, 1971, when the U.S. Administration put an end to the Bretton Woods system by unpegging the dollar from gold; it implies the destruction of our republican order. Those leading that operation—of which personalities such as the former ambassador of the United States to France, **Felix Rohatyn**, and the interests nested in the Lazard Frères banking operations are emblematic—are aiming for nothing less than to impose the policies of **Hjalmar Schacht** and the pre-war Bank for International Settlements (BIS), without a Hitler, a Mussolini or a Franco, but this time on a world scale. Today, it is called "globalization."

History may stutter, but that is not a reason for us to behave as it does. In June 1940, our gates were opened to the Nazi invasion, and it was a "divine surprise" of those who had long plotted to overthrow the Republic. The Pétainist's "patriotism" of French capital consisted in supplying the German army with tires, and participating in the construction of the Atlantic Wall. Today, we must immediately resist, and this



EIRNS/Karel Vereycken

Author Jacques Cheminade launching his Presidential campaign in Clichy, France, on Feb. 25, 2006. Cheminade urges his countrymen not to give the country to the Nazi financiers again, but, as fighting French, to sweep aside the traitorous elites and institute a new economic order.

resistance, defining the position of France, Germany, and of Europe towards "globalization," must unite and catalyze the currents of social Christianity, Republican socialism, and true patriotic Gaullism, that is to say, those currents rooted each in its own way, in the Common Good. This article, written in the context of my Presidential campaign, aims to provoke my fellow citizens to reassert their dignity and to launch a mobilization that will retrieve "la France combattante" (fighting France) as an idea, and not as a product sold at discount.

Mittal Steel-Arcelor

While the "Europe of the Great Projects" turns out to be a hoax, and while the euro operates as a tool for dismantling industry and agriculture, the offensive of the financial synarchy remains nearly unopposed. The proof is in the growing number of takeovers and privatizations of economic interests critical to our political independence, and even to our mere economic existence: Mittal Steel seizes control of Arcelor, Suez takes Gaz de France, and the New York Stock Exchange (NYSE) takes Euronext, slicing up our public sector so that they can obtain higher prices by selling bits and pieces, and

recartelization framed by “European” legislation on the “liberalization of public monopolies.”

Another proof? The behavior of Mesdames **Clara Gaymard** and **Anne Lauvergeon**, eager to drop their political postures to shamelessly sell themselves to the rising financial powers.

Mittal Steel-Arcelor is, without doubt, the most revealing case of the high treason of our “elites.” Jacques Chirac himself, earlier this year, had denounced this “purely financial operation, devoid of any industrial objective.” However, given the environment that Chirac has let grow, it has happened, with ineluctable logic.



Lakshmi Mittal

Indeed, it was a friend of Jacques Chirac, **François Pinault**, who supported **Lakshmi Mittal**, to whom he had been introduced by **Anne Meaux**, the press relations chief for both . . . as well as for parts of the official French right.

According to press reports, the “Indian group” managed to “win the shareholders over by waving fistfuls of cash,” when it jacked up its bid to 40.4 euros a share from 28 euros, thus placing the value of Arcelor at 25.4 billion euros, compared with 18.6 billion in late January.

Greed has thus won the day, as the biggest and best European high-quality steel manufacturer falls prey to a group that may wear an Indian mask, but is, in fact, London-based, and quoted on the Amsterdam stock exchange—a satellite of the financial synarchy. Mittal’s current shareholders will acquire “only” 49.4% of the new Mittal-Arcelor Group, and Arcelor’s shareholders will own 50.6%. But an Arcelor executive, close to its chairman **Guy Dollé**, has stated that “whatever happens, Mittal will be the Group’s main shareholder,” while Arcelor’s shareholders, who do not form a homogeneous bloc, “will easily be dominated at stockholder meetings.” In our “shareholder society,” the shareholders do lay down the law.

Two points can be underlined here to show the full scope of this disastrous choice.

First, in his attempt to counter Mittal, Guy Dollé had gone to the Russian firm Severstal, led by **Alexei Mordachov**, who is close to Russian President **Vladimir Putin**. Dollé has not changed his view, and continues to believe that the alliance with Mittal makes no sense from an industrial standpoint. But, like the French authorities, he was persuaded to cave in. Result: the legitimate discontent of the Russian authorities. The daily newspaper *Kommersant*, reflecting an official standpoint, reviews the consequences of the choice: “The decision, taken on the eve of the G-8 summit [to be held at St. Petersburg] by a major European company . . . can seriously complicate relations between Russia and the EU.”

In fact, rather than support Putin, who now quotes Franklin Roosevelt as a policy example to his nation, France has chosen sides with the financial interests engaged in dismantling our own nation!



Library of Congress

Marshal Pétain, the French traitor, who extended a synarchist welcome to the invading Nazis in 1940, and then mobilized French capital to supply the German army with tires.

Greed was not the “shareholders’” sole motive, but it appears that there was an overall political strategy at stake. Some basic facts throw more light on this: One finds on the Board of Directors of Mittal Steel **Lewis Kaden** and **Wilbur Ross**, together with the **Nathaniel Rothschild**, who co-chairs a hedge fund known as Atticus Partners, which is in the Lazard orbit.

In 1984, Kaden, assisted by **Eugene Keilin** and **Joshua Gotbaum** of Lazard Frères, led the team that drafted a report signed by **Felix Rohatyn**, **Lane Kirkland**, and **Irving Shapiro**, “The Return to American Competitiveness: Proposals for an Industrial Policy.” That report served as the intellectual foundation for the “rationalization” (that is, takedown) of the U.S. steel industry. Kaden became vice chairman of Citigroup, after the ISG-Mittal merger (as we shall shortly see). But today, it is Citigroup that lent Mittal the \$9.5 billion needed to take over Arcelor!

As for Wilbur Ross, he has made wrecking the U.S. steel industry a particular line of expertise. After the first (1986) and second (2000) bankruptcy of the giant steel company LTV, Ross took over its Chicago and Cleveland production units to form the International Steel Group (ISG). LTV and ISG then proceeded to institute massive layoffs, cut pensions, and reduce production. In 2003, after Kaden had recruited **Steve Miller** to be the chairman of Bethlehem Steel, the latter sold off most of its steel business to Ross. Ross Financial then sold ISG to . . . Mittal Steel! Along the way, naturally, there were more downsizings and more plant closures. Steve Miller became chairman of the Delphi automobile parts, which he is dismantling, following a scheme drafted by . . . Felix Rohatyn and Rothschild Inc.!

It is essential now to review the three levels at which the industrial dismantling operates: the overall plan (Rohatyn-

Kaden), the enforcement of the plan by Ross-Mittal-Rothschild, and finally its extension into Europe (the Arcelor takeover). The shareholder greed is nothing less than the expression of an overall political strategy.

Now, who are Arcelor's "shareholders," and who has used them? It is Goldman Sachs, which was advising Arcelor and which led the revolt against Severstal alongside Nathaniel Rothschild. The latter, through Atticus Partners, owns 1.3% of Arcelor and 1.2% of Mittal! And who was first to jump on board? Other hedge funds, as well as U.S. and British pension funds that owned around 30% of Arcelor. Among those funds, according to **John Plender**, writing in the *Financial Times*, we have The Children's Fund, Fidelity, Merrill Lynch, Deka, Centaurus, Heyman Investment Associates, and so on. In a nutshell, the so-called "independent" shareholders were carefully managed and then thrown into the fray by a brutal and well-organized conglomerate. So much for "free and unbridled" competition!

No matter the sweet nothings murmured into the ear of the gullible: Behind the Mittal-Arcelor merger loom massive closures and downsizing, not only in the U.S.A but also in France.

Already, the London Metal Exchange (LME) and New York Mercantile Exchange (NYMEX) intend to set up a world derivatives market for steel products. The Indian Multi-Commodity Exchange already conducts similar operations, and the Shanghai Futures Exchange will do so shortly. Steel, the very essence of any long-term economic development, is handed over to short-term financial speculation; its fate is sealed.

Those who do not grasp that the logic behind the Mittal-Arcelor merger derives from this "global" context, are useful fools. To realize this fully, let us turn now to the Suez-Gaz de France deal.

Suez-GDF

Allowing Gaz de France, the state's natural gas concern, to be absorbed by Suez, the giant water company, is tantamount to handing over "the vital interest of the nation" to an international firm dominated by the same type of interests that control Mittal Steel. In promoting this deal, the government not only has gone back on its word, but also asks the Parliament to follow it. In principle, by Act of Parliament dated July 22, 2004, the State's share of GDF's capital was not to fall below 70%. But in the new entity, the State will control only 40%! From a purely formal standpoint, it is GDF that would take over Suez, but Suez shareholders will de facto control between 55 and 60% of the whole, which will be run by **Gerard Mestrallet**, Suez's current chairman.

Suez itself is a firm whose main shareholders and Board of Directors are the aforesaid Mestrallet, **Lord Simon of Highbury**, **Albert Frère**, **Paul Desmarais**, Viscount **Etienne Davignon**, and **Anne Lauvergeon**. On its Ethics,



EIRNS/Dan Sturman

Felix Rohatyn, agent of the French synarchy, is in the middle of moves to take over French industry.

Environment, and Sustainable Development Committee, and on its Remuneration Committee, sit Lord Simon of Highbury, Etienne Davignon, and Paul Desmarais.

Between 2001 and 2004, Felix Rohatyn sat on the Suez Board of Directors. In 2002, Rohatyn demanded of Mestrallet—who promptly caved in—that he ram through an "Action Plan" that involved sweeping austerity measures, the halving of investment, and massive disinvestment. Basically, the concept was to make Suez into a company controlling water management, and taking over the energy sector: in short, to become a full-blown cartel, enjoying a stranglehold over the two fundamental resources of any state.

Rohatyn has been backed up especially by Paul Desmarais and Albert Frère, the group's main shareholder. In April 2002, Rohatyn was appointed to the group's Audit Committee.

In October 2004, Mestrallet and Rohatyn convened a Europlace Group conference in New York, to "boost transatlantic investment." The chairman of the Management Board of Société Générale of Belgium, and of Suez, along with the man who has been behind the strategic mergers and acquisitions since the early sixties (the strategy of Lazard, led by **André Meyer**, for recartellization of industry) thus joined forces to run financial "globalization," they themselves being the "brains" of the operation. Included are:

- Etienne Davignon, a Bilderberg Society member, chairman of Suez-Tractebel, and former chairman of Société Générale of Belgium, who drafted the notorious "Davignon plan," pursuant to which the steel industry (where one runs



PRNewsFoto

Wilbur Ross, Jr. is an expert steel-industry wrecker. Now, as a director of Mittal Steel, he is aiming at Arcelor.



EC/Jan Van de Vel

Viscount Etienne Davignon of Suez-Tractebel, a Bilderberger and one of the Suez vultures who intend to eat up Gaz de France.

into Arcelor), first in Europe and then in the U.S.A., was to be dismantled.

- Albert Frère, who is one of the Paris Bourse's top 40 (CAC 40) largest investors. With shares in Total and Suez, he punched his way into the capital of Lafarge (8%) and Eiffage (6.1%), and now runs the Bruxelles-Lambert Group (GBL), the strong-arm of his "financial profits first and foremost" approach. He is a dear friend of **Bernard Arnault** (LVMH), with whom he purchased the top Cheval Blanc vineyard in Bordelais; he frequently meets **Alain Minc** and especially the Canadian Paul Desmarais—without whom he never makes a move.

- Paul Desmarais, a Bruxelles Lambert Group Director, chair of the Sagard Private Equity Partners Committee in France, who is typical of the Canadian "comprador" class, a go-between for the U.S. finance oligarchs and the Anglo-French-European synarchy.

- Anne Lauvergeon, who was at the Elysée Palace under François Mitterrand, and is now a partner at Lazard Frères and a director at Total. She runs Areva, the French nuclear giant (see below). Her presence indicates that an early move is on the table to concentrate the entire French energy sector under a single umbrella.

- **Yves Thibault de Silguy**, himself a Lazard old boy, who sits on Suez's Executive Committee, with his double-folio address book: that of his French Cabinet-Ministerial posts and that of a former European Commissioner.

This short survey lets us see the real nature of the Suez grab of Gaz de France. The deal was "sold" to public opinion by puffing up a putative risk of takeover by the Italian energy concern ENEL, a company for which Alain Minc himself serves as an advisor. The fear of Beelzebub opened the door of the tavern to Satan!

The next stage, if no opposition is raised, will be to privatize Electricité de France (EDF), which will soon be confronted with a newly created energy giant, licensed to sell to private households, businesses, and local authorities, thanks to Gaz de France's 14-million-strong client list. EDF will then need a partner to diversify—and lumbering over the horizon, comes Total-Elf-Fina, more than 50% owned by "non-resident" investment funds; that is, by Anglo-Americans. This way, the whole financial takeover will be accomplished and France will be run lock, stock, and barrel, through its energy sector.

Nothing has been done to oppose the creation of a vast public energy pole uniting EDF and GDF. The authorities have accepted the progressive dismantling, while spouting purple patriotic prose.

Euronext

Steel, energy: At the same time, while trying to convince us that Paris will become Europe's "future financial capital," the current financial operation targets Euronext, the federation of European stock markets (Paris, Amsterdam, Brussels, and Lisbon). Its alliance with the New York Stock Exchange has been presented as a "merger between equals," while in truth, U.S. financial interests will control 59% of its capital. The latter interests intend to get into Europe—and the world—by surfing on Europe's laxer regulations, and seizing hold both of the London derivatives market (London International Financial Futures and Options Exchange, or Liffe) and of Euronext's extraordinary computer technologies. Writing in *Le Monde* June 27, we find **François Bujon de l'Estang**, a former French Ambassador to Washington, and now chairman of Citigroup in France (sounds familiar. . .), who warmly advocates the deal. In the best of all possible worlds, "The



Nissan Motor Co.

Nissan's CEO Carlos Ghosn (standing on car) at the company's Canton, Mississippi auto plant, where he has shredded wages and benefits. Now this lizard has his claws pointed at General Motors.

rapprochement with New York is a unique opportunity for Paris to become Europe's financial capital within the world's largest financial organization, as Felix Rohatyn, former Ambassador of the United States to Paris [sounds again familiar] recently underlined. . . .

"This is France's great chance to become the center of financial gravity for the Euro zone . . . the new grouping's international Head Offices will remain at Paris and Amsterdam for the spot market, and at London, for derivatives."

Shotgun weddings, all, and all it shows is that the financial synarchy intends to move in massively on continental Europe, while moving out of the U.S.A the highly speculative instruments of the system (Liffe, derivatives), to really be in a position to take the gloves off everywhere in the world.

Renault, EADS, Lagardère, Fogear, Alcatel-Lucent . . .

Other operations are to be inserted into this same picture.

Carlos Ghosn, Renault-Nissan's chairman, has just received an offer from General Motors (GM), via the unsavory billionaire **Kirk Kerkorian** of Tracinda fund fame, who became General Motors' major shareholder, with 9.5% of its capital. The agreement will apparently cover GM and Nissan. As it happens, GM is currently being picked to the bone for hard cash by the financial sharks, for whom



Sir Henry Deterding, Royal Dutch Shell chairman, who admired Hitler and financed the Nazi Party, via his Lazard banker.

Kerkorian is a pilot fish!

The proposal, scurvy as it is, has been most amiably received by Renault, which intends to give the "opportunity" close study; Renault and Nissan form "an open alliance that was never restricted to two partners" and "could be broadened."

Kirk Kerkorian has gone so far as to suggest to Carlos Ghosn to undertake a "profound restructuring" of GM, as he did with Nissan in Japan—cost-cutting, slashing wages, shredding pension plans.

Two aspects have to be underlined:

First, Nissan, as it happens, already operates at Canton, Mississippi, paying its workers so meagerly that outsourcing was unnecessary. As a U.S. trade unionist put it, "They want to turn Mississippi into a Manchukuo." This implies that if Ghosn moves in, a policy of systematic wage cuts for GM workers is to be expected.

Second, Renault-Nissan has increasingly been drawn into Lazard Frères strategies, for which the latest turn of events is a further indicator. **Franck Riboud**, on Renault's Board of Directors, spent his entire career at Danone thanks to **Michel-David Weill**, chairman of Lazard Frères. Franck's father and friend to Michel-David Weill, **Antoine Riboud** (part of the transatlantic military milieu, whose leisure hours are agreeably filled with esotericism and telekinesis), was brother to **Jean Riboud**. It was Jean who introduced Felix Rohatyn to François Mitterrand.

Another Renault Board member, **François de Combret**, has long been associated with Lazard Frères and was among those who brought Carlos Ghosn into the Renault management. We unavoidably unravel the same network of influence, when we identify the same policy.

At the same time, the French Alcatel (the world's second largest telecommunications equipment group) is purchasing

the U.S. firm Lucent; the French group's shareholders will own 60% of the new entity's capital. However, in respect to management and "business culture," the new entity will be far more American than French, and far more financial than American. The operational boss will be Lucent's **Patricia Russo**, an American who lives in Paris. Most of the capital will be gripped firmly in the fist of Anglo-Saxon investment funds. Just as we have seen with Euronext and Suez-GDF, the strategy is crystal clear: The financial interests and head office will be based at Paris, to become the operational center for a multinational synarchy.

Many of France's traditional social benefits are now threatened as well. This is "a pirates' raid," protested **Daniel Lebègue**, former chairman of the Caisse des Dépôts et Consignations (CDC), in speaking of the moves to merge Ixis (the merchant bank of the savings banks) with Natexis (the merchant bank for the so-called Banques Populaires). Leading the merger attempt is **Darius Milhaud**, the boss of the Caisse Nationale des Caisses d'Épargne (CNCE), and **Philippe Dupont**, chairman of the Banques Populaires. The merger would be the death-knell for the *Livret A* public savings account, which would mean the end of the "French exception," which gave high rates to public savings accounts while using the funds to generate credit for public housing projects.

Philippe Dupont is most keen upon getting rid of the *Livret A*. Milhaud and Dupont suggest that the CDC, which manages the funds collected through the *Livret A*, withdraw from the CNCE's capital, in this way forcing its privatization. A friend in need is a friend indeed: The European Commission has of course opened an enquiry into the *Livret A*'s "monopoly" position, after a complaint was filed by the Crédit Agricole and other banks.

The game is to strip the nation-state of each and every economic tool heretofore at its disposal, and reduce it to an enforcement agency for policies made elsewhere.

It is in front of this dispossession of the wealth of the state, that unbelievable profits of stock options and salaries proliferate for the top brass of the companies. Before World War I, the banker **J.P. Morgan**, not exactly a philanthropist, stated that a company's boss should never earn more than 20 times the wage he pays a worker. But **Antoine Zacharias**, the Vinci chairman, has grabbed 250 million euros since 2001—this represents 5,770 years of average wage for one of his own employees, and is 17,000 times the minimum wage.

Noël Forgeard at European Aeronautic Defence and Space Company (EADS) sold his stock options in March at the key moment in time, raking in profits of more than 3.7 million euros. He did this, although at that time, he had to know—as the trade unions themselves knew—of the fact that EADS production of the A-380 had fallen behind schedule, and that the share price was about to go through the floor. Insider trading? Oh *no*, lisps Forgeard—like **Arnaud Lagardère**, who also by some miracle, sold half the 15% of

EADS shares held by his group. No, it is a simple matter of "incompetence" for the first, and pure chance for the second!

Forget the idea that those were individual moves; these are nothing but symptoms of a global predatory strategy for which corruption is but an instrument.

Clara Gaymard and Anne Lauvergeon

The treason of our elites is manifest in two extreme cases, those of Clara Gaymard and Anne Lauvergeon. Gaymard is the daughter of Professor **Jerôme Lejeune** and wife of **Hervé Gaymard**, the former Economics Minister who hastily left his post after a property scandal. She was the president of the French international investment agency (Agence Française des Investissements Internationaux or AFII), and has now resigned to head General Electric France (GE). Here we have a high-ranking civil servant, responsible for promoting foreign investment into France, elbowing her way up to the trough, by joining one of the very firms that she earlier promoted! GE is the world's second largest commercial enterprise, seventh-largest contractor to the Pentagon, and one of the Republican Party's main donors. Now you begin to understand why Mrs. Lejeune-Gaymard, Mr. Gaymard, and their friend Dominique Perben so obsessively opposed me personally (cf. Clara Lejeune, *La vie est un bonheur*, Criterion, pp. 72-73).

In respect to Anne Lauvergeon, even if she supposedly belongs on the other side of the political spectrum, having been François Mitterrand's little "sherpa," the fact remains that she too is busy betraying the national interest: She has arranged to have the neo-conservative **Spencer Abraham** lead the U.S. subsidiary of Areva, thereby placing the keys of France's nuclear industry into the sweaty palm of a former U.S. Secretary of Energy and eminent member of the Federalist Society. That Society has defended the "unitary executive" theory, one purporting to justify virtually unlimited powers for the U.S. President in the event of conflict—such as the alleged "War on Terror." The men behind the Federalist Society are disciples of **Carl Schmitt**, the "crown-jurist" of Hitler's Reich. Slightly embarrassing!

Stopping Today's Nazis

What we face here, in all its shapes and sizes, and what has to be stopped overnight if France wants to avoid being under the control of a financial synarchy, is a blatant return to the bad moral habits of the 1930s, after the crash of 1929. In 1954, a report published on Lazard Frères reads: "When von Ribbentrop [Hitler's Foreign Minister] came to Paris on December 6, 1938 to sign a good-neighbor agreement with Georges Bonnet, Foreign Minister in the Daladier Government, a dinner was held at the Quai d'Orsay, attended by **Daniel Serruys** of Lazard. At the time, **André Meyer**, the new managing partner of Lazard, entertained excellent relations with **Georges Bonnet**, and supported him at the time of Munich agreements."

MILITARY INTELLIGENCE DIVISION W. D. G. 8
Military Attache Report
 Subject: **SYNARCHISM**
 Date: **27 July 1944**
 Report No: **15224**
 I. G. No: **3200**

From and Name of address:
French politician perturbed by the present leadership in the de Gaulle Administration.

Remarks: Herewith confidential summary of report, containing subjects usually stated include: Synarchist penetration in highest echelons of the de Gaulle Administration.

1. Synarchist penetration in highest echelons of the de Gaulle Administration.
2. De Gaulle reported to have entered a study on the subject.
3. Three positive and one negative photostats enclosed herewith.
4. It is stated that persons in de Gaulle's immediate surroundings have recently become adherents to this movement.
5. Report prepared in penetration of the Germanist group in the de Gaulle Administration, containing accusations of three officials, and certain other members of the administration.
6. Efforts being made to check authenticity of attached report and obtain copy of same report now closed in paragraph 5.

French file: _____
 ASP: _____
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 DFP: _____
 DGP: _____
 DHP: _____
 DIP: _____
 DOP: _____
 DFP: _____
 DGP: _____
 DHP: _____
 DIP: _____
 DOP: _____

DISPATCH BY AIRMAIL: **27 JUL 1944**
 Distribution by airmail: **27 JUL 1944**
 This report is for use in M. I. 2. The section receiving the dispatch will place a check mark in the lower part of the enclosure box in case one copy only is to go to him. It will inform the number of copies a copy should be sent. The message center of the Intelligence Branch will place a check mark in the box of the subject to which the particular copy is to go.

ASP	DAF	DDP	DGP	DHP	DIP	DOP	DGP	DHP	DIP	DOP

Endorsement: **to file only.**
 as per paragraph 3 above.

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In recent reports there have been several references to the growing political power of the Ranges group in France, which includes amongst its members such ardent collaborationists as Puchet, Bonnet-Baudin, Leroy-Ladurie, Routhillier, and representatives of the big French industrial organizations.

2. After unavoidable delay we have now obtained the following information, dated early November, from a source with good political contacts in Paris, who has provided reliable information in the past:

Similarity of aims of "Synarchist" and Ranges group

(1) The reactionary movement known as "Synarchist" has been in existence in France for nearly a century. Its aim has always been to carry out a bloodless revolution, inspired by the upper classes, aimed at providing a form of government by "technicians" (the founder of the movement was a "polytechnician"), under which home and foreign policy would be subordinated to international economy.

(2) The aims of the Ranges group are the same as those of "Synarchist", and the leaders of the two groups are, in most cases, identical.

Program in August, 1940

(iii) In August, 1940, the program of these men was:

(a) To obtain control of French industry by means of "Comites d'Organisation et de Repartition". (Note: The source has added that a bill authorizing the setting up of such committees, the text of which had been prepared by Routhillier, was promulgated from Berlin on the 16th August, 1940.)

(b) To eliminate from the French Government persons possessing working class revolutionary tendencies, such as Albert.

Present continental program

(iv) Their present policy is as follows:

(a) to check the "Revolution Nationale" insofar as its development might entail the creation of a new social order;

(b) to check any new social schemes which might tend to weaken the power of the international financiers and industrialists.

END

Two World War II U.S. intelligence documents show the role of the Synarchist International in directing the Nazi-Fascist axis. Other U.S. intelligence reports from this series name Lazard's André Meyer (who was later Felix Rohatyn's mentor), as a supporter of the Nazis in France's Vichy regime.

Lazard was the banker of Royal Dutch Shell, whose chairman, Sir **Henry Deterding**, had financed the Nazi Party. Until France was actually invaded, André Meyer sat on the sidelines observing Hitler, while weaving a tight web with Banque Worms, the central pole of the Anglo-Franco-German synarchy, and the instrument of France's "strange defeat." Meyer left for the U.S.A in 1940, after France was occupied, and took over Lazard in New York. On July 27, 1944, the U.S. military attaché at Algiers reported back to Washington that financial circles favorable to collaboration with the Nazis had, little by little, infiltrated Free France. In the appendix, the report supplied a list of roughly 80 persons and institutions, the hard core of the synarchy. Among them appear Banque Lazard and one of its representatives—André Meyer. In the late 1950s, Meyer moved into mergers and acquisitions, recartellization. In undertaking the re-creation of the cartels, Meyer's friend and main associate, whom he considered as a son, was Felix Rohatyn. Doesn't the Arabic proverb say that "the dog always returns to its own vomit"?

We find Rohatyn again on our national scene, when he was U.S. Ambassador to Paris between 1997 and 2001. He sat on the Suez Board of Directors, and remains to this day on the Board of LVMH (Bernard Arnault again), and the Board of the Lagardère Group (again) and of Publicis.

Since treachery seems to have become a bad habit of our elites in times of crisis, isn't it urgent this time to replace them, and even to sweep them away, helped by a fresh wind blowing from America?—not Bush, nor Cheney, nor the very opportunistic **Hillary Clinton**, but the coalition of forces which **Lyndon LaRouche** is inspiring on that side of the Atlantic.

Time is overripe for a new economic and monetary order worldwide, to restore man's labor, along with the spirit of discovery and improvement of nature, as an absolute priority, at the expense of the financial parasitism we have just described, which carries in its womb the "universal fascism" shamelessly described by the unadorned words of the American neo-conservative Michael Ledeen.

Nissan-GM Merger Is Next Step In Fascist Labor Recycling

by Paul Gallagher

A proposed shotgun merger of General Motors with Nissan/Renault is the next step in the introduction of fascist labor recycling into the world auto industry. Under the leadership of CEO Carlos “Le Cost Killer” Ghosn, Nissan/Renault is already running a plantation slave labor shop in the heart of the southern United States. Workers at the Canton, Mississippi Nissan plant are stripped of any job security for the first two years of employment, forced to work any number of hours at sped-up conditions, and paid one-third or less the wages of a unionized autoworker. Ghosn is now conspiring with predator Kirk Kerkorian, owner of 10% of GM’s stock, to take over the running of GM’s operations, according to many sources.

The reorganization plan is pure Felix Rohatyn (banker and Democratic party power broker), which means pure fascism. It is often forgotten that the Nazi concentration camps were initially slave labor operations in which the able-bodied were first worked to death before being efficiently eliminated. The Auschwitz death camp stood adjacent to the site of I.G. Auschwitz, a 100% subsidiary of the I.G. Farben chemical giant and the world’s largest production plant for synthetic fuel and rubber for the Nazi war machine. Every major industry in Nazi Germany was manned by slave labor, which included Jews and other minorities, prisoners of war, and able-bodied populations imported at gunpoint from captured nations.

The grinding up of labor for the benefit of “shareholder value” today is fascist labor policy. It is the same policy which Nazi Finance Minister Hjalmar Schacht introduced into Germany, on behalf of his backers in the Bank for International Settlements. It is the reason that Hitler was promoted by the Bank of England, Wall Street, and the Synarchist banking houses of France which included Felix Rohatyn’s patron at Lazard Frères (now Lazard), André Meyer.

This “Ghosn plan,” on which Kerkorian and other predators have apparently been conspiring since February, aims to

create an international auto industry unregulated by national governments, and to outsource and eliminate national industry and national machine-tool capabilities.

What would a Ghosn takeover of General Motors entail? Just consider the keynote speech that Wilbur Ross, another Lazard-Rothschild “industrial” cannibal, will give on Aug. 23 in Pontiac, Michigan: “Rationalizing the Auto Supplier Industry: Carving Out Profit from Merger & Acquisition Activity.” Ross showed how that works in the U.S. steel industry, which he has helped to “disappear.”

Ghosn would undoubtedly add to GM’s plant-closings list right away, after the company has already just “retired” 28% of its remaining production workforce and is shutting 12 plants. Worse, he would devastate the auto-supply industries of the U.S. and European companies, by drastically cutting auto-supply contracts as Nissan has done in its U.S. operations. Now, Ghosn would be wielding the world’s largest auto conglomerate or “partnership,” acting as a “WalMart” on the auto industry. *Manufacturing News* commented July 5, “If such an alliance were to come to be, it would, as the world’s largest car group, have far-reaching effects on parts and component purchasing up and down the world-wide automotive supply chain, leveraging power that would inevitably put supplier margins under further pressure, taking some to the brink of insolvency in the face of already intense competition from suppliers in low wage economies.”

Lazard and the Lizard

After Kerkorian’s sudden public demand for the deal on June 30, the boards of both Renault and Nissan quickly gave the green light to this “partnership,” a Renault-Nissan joint purchase of 20% of GM stock for \$3-4 billion. On July 5, the French government, which at first had called for “extreme caution” from Renault, switched, and the Finance Minister told Renault to go ahead. But the scheme is not “sudden”;

it goes back at least to a meeting on May 15 in Nashville, Tennessee among Kerkorian, his partner Jerome York, who is on GM's board, and Ghosn. It was proposed by Ghosn to Kerkorian, according to Kerkorian's lawyer, Terry Christianson.

Ghosn is an international version of the Robert S. "Steve" Miller who was brought in to run, bankrupt, and tear apart Delphi Corp., under a "strategic plan" developed for Delphi by Felix Rohatyn in 2005. Miller was a known quantity, having done the same wrecking previously to Bethlehem Steel, Federal Mogul auto parts, United Airlines, and Chrysler Corp.

Ghosn's arrival at Renault in 1997, and his promotion to Nissan CEO in 2000, were also due to a Lazard partner: François de Combret, a partner at Lazard New York during Rohatyn's tenure in the 1980s, and then managing partner at Lazard Paris. Representing Lazard, Combret planned the 1995 privatization of Renault from a state company. Then, as a Renault director, he brought Ghosn in to cut costs. Combret then planned the Renault joint partnership with Nissan, and Ghosn became CEO of Nissan. He got rid of more than 20% of Nissan's workforce between 2000 and 2004—something unheard-of in Japan's industrial economy—and used cost-cutting to drive Nissan's stock price into the stratosphere, even while the Nikkei average as a whole was falling. Today, Nissan, with about one-third as much global auto production as GM, has a stock market capitalization three times as high—\$48 billion vs. GM's \$16 billion!

Combret left Lazard last year in a dispute with its chairman, Bruce Wasserstein, but is still a power at Renault/Nissan, and at UBS Warburg bank. He got Renault's long-time CEO Louis Schweitzer to retire early, thus finally making Ghosn CEO of Renault, as well as of Nissan.

Mississippi Nissan the Model

A GM 20% "partnership" with Nissan/Renault would have to be approved by the Committee on Foreign Investment in the United States (CFIUS)—which was whisking the Dubai Ports deal through earlier this year—and by the Anti-Trust Division of Alberto Gonzales' Justice Department.

GM's board has apparently told CEO Rick Wagoner to meet with Ghosn in mid-July, over Wagoner's objections, and is going to order a study of the Nissan-Renault buy-in. Whether the board will go for the "partnership" or treat it as a hostile takeover, is not clear. But Kerkorian, with his Tracinda Corp. group of equity and hedge funds, is "playing" the GM shareholders, and may be able to use them to force the move. The big GM shareholders are private equity funds, with just a half-dozen of them (including Kerkorian) holding more than half the company's stock.

If GM's board, facing a "brutal Summer" of further deep auto sales declines, is driven by Kerkorian to go for the billions in cash and the chance of a credit rating above deep junk, look out for Rohatyn's and Steve Miller's Delphi writ large.

At Nissan's Canton auto assembly plant, Ghosn has al-



Nissan Motor Co.

The lizard from Lazard: Nissan/Renault CEO Carl Ghosn prepares to chew up GM's workers in a proposed merger of General Motors and Nissan/Renault.

ready carried out his globalization and low-wage plan for the U.S. auto industry: In a brutal human experiment on an 85% black workforce at Canton, Nissan is paying assembly workers \$9.50-\$12/hour, and making them work as "temps" for an agency for 18-24 months before they even enter Nissan's pay scale, never mind vesting any benefits. The Ghosn plan is also trying to make them produce an unprecedented five different models in one plant, and produce an unheard-of 400,000 total units a year. And WalMart-like, Nissan is pressuring its suppliers in Mississippi to remain, or become, non-union, with even lower-wages than his Canton plant.

A Nissan unionized worker in Japan (the majority is non-unionized) with 15 years' experience makes about \$40,000, plus performance bonuses; this is twice the Canton Nissan wage, but well below U.S. United Auto Worker standards.

Formula for Disaster

The claims Kerkorian is making for taking GM global, are being exposed since he floated his June 30 balloon. The ever-present debt-rating agencies, led by S&P ("Standard and Whores"), already on July 6 were making clear that a global "partnership" would not cause them to raise GM's deep-junk bond rating.

When Kerkorian's partner Jerome York was first pushed onto the GM board in February 2006, York pronounced at his first meeting that what GM needed was Carlos Ghosn's management technique, because Ghosn "sets clear financial targets"—that is, he cuts expenditures ruthlessly.

But Ghosn's methods at Nissan since 2000 are already running their course: Nissan sales have dropped precipitously in Japan in 2006, and seriously (by 14% thus far) in the United States, where their quality ratings have sunk toward the bottom of the pack.

Underlying this, but seldom discussed by "auto analysts," the auto industry is suffering falling sales worldwide, for the second year. There are exceptions—notably China, India, and Brazil—but they either have very small sales (India), or their sales are being "goosed up" by concerted government action to force prices down (China). Throughout the United States, Europe, and East Asia outside China, auto sales are falling because real wages are falling under terminal globalization.

LaRouche Youth Movement: The Fight For Nuclear Power in Ibero-America

Here we publish the speeches by Argentine LaRouche Youth Movement (LYM) leader Emiliano Andino, and Argentine Congressional advisor and energy expert Ricardo De Dicco, to the June 15, 2006 international videoconference on “The Role of Oil in the Transition to Nuclear Energy,” organized by the LaRouche Youth Movement and EIR. The speeches have been translated from Spanish. Lyndon LaRouche’s keynote, entitled “The Future Is Now: The LaRouche Plan for a Transition to a New World Economic Order with Advanced Technology,” was published in EIR June 23. The Question and Answer period with LaRouche was published in EIR June 30, as was a presentation by EIR economics editor Paul Gallagher, entitled “How U.S. Machine-Tool Sector Was Destroyed.” The conference was transmitted simultaneously to Mexico City and Buenos Aires, Argentina.

Emiliano Andino

Mosconi’s Legacy Is Key for Argentina

I’ve chosen to speak about an aspect of Argentina’s history, in this case the creation of the state oil company YPF (Yacimientos Petrolíferos Fiscales), because this is an example of exactly what we need. Today, we see this crisis in energy and in the world economic system, and the constant refrain is that it is difficult to do anything about it. And so, it is very useful to take a look at those historic figures who did not allow themselves to be defeated by the difficulties of their time, and who truly left us—through their actions, their decisions, and their studies—a world with a more advanced infrastructure, such that one could say that they made possible improvement of many people’s lives, as well as the quality of life which we all enjoy today.



Emiliano Andino

This is in fact the story of Enrique Mosconi, an Argentine general who was born in 1877, approximately 100 years before many of today’s youth were born. As an adolescent, he joined the Army, where he not only pursued his military career, but also became a civil engineer. Being a soldier who is also a civil engineer, is a very interesting combination. Mosconi received his engineering degree by presenting a thesis, neither on combat strategy nor on a plan to attack anyone. Rather, it was a plan for damming up Lake Nahuel Huapí, in Patagonia, in southern Argentina, while at the same time constructing a series of locks between the Limay and Río Negro rivers, which empty into the Argentine sea. His plan was to make an entire Argentine region navigable, which to this present day has still not been made navigable. But back then, at the beginning of the 19th Century, he was already thinking about how to develop the necessary infrastructure to get the job done.

Later, after becoming civil engineer in the Army, he went to Germany and worked for the German Army, as part of its corps of engineers. Remember that the German Army at that time was tremendously influenced, both economically and scientifically, by the ideas of Friedrich List, who had lived 100 years earlier and was an important collaborator of the American Revolution. Thus Engineer (and General) Enrique Mosconi absorbed all these Listian principles of national economy, that is, an economy measured in the sense of a complete nation, where infrastructure plays a fundamental and basic role.

When Mosconi returned to Argentina, he began to apply these ideas directly to his country’s Army. He became director of the Army Air Corps, and it is here that a very critical situation developed which forced him to act in defense of the nation itself. Just as the Army Air Corps was to conduct special nationwide exercises, the manager of the West Indian Oil Company (WICO) refused to provide fuel for all of the airplanes which were going to participate in this nationwide mobilization. This made it impossible to carry out the exercises, which were part of the annual army celebration.

And so, as both director of the Army Air Corps and as a civil engineer in the Army who had assimilated the legacy of the American System from currents in the German Army which had been educated by Frederick List, Mosconi personally committed himself—and it is key to understand that this was a *personal* commitment—to confront this trap, dealing with it as if it were an actual military threat to the nation, and



The training of Argentine Gen. Enrique Mosconi, also a civil engineer, included a period in Germany, where he worked with the German Army, which was influenced by American System advocate Friedrich List. He actively promoted a strong role for the state in energy and water infrastructure projects, inspiring such projects at home, and throughout the continent.

not just military exercises.

Thus, as a result of all of his efforts and organizing skills, and with the approval of the Argentine Congress, YPF was established in 1922, with a credit line granted by the state, to turn what was an oil refinery into one producing the kind of fuels that the Argentine Army needed.

It is important to remember that the first refinery and the first series of installations for which Mosconi was responsible after YPF was founded, were launched with a large initial investment that was recovered in a mere three months. And once Argentina had its own refinery, it began to mechanize and industrialize the entire fuel structure, from storing the fuel, building factories to produce the cans, and a very accelerated policy of oil exploration and exploitation.

Between 1922 and 1927, this whole oil structure grew tenfold, thanks not to the private companies Standard Oil or Royal Dutch Shell, or one of their private subsidiaries in Argentina, but to the state-owned YPF, launched initially with state financing, but which soon became financially self-sufficient because of its high rate of productivity—all of which was the result of this concept of physical economy and physical science that Mosconi had brought back with him from Friedrich List's Germany.

And of course, this represented an enormous advance for the Argentine economy, which had no coal, had no accessible energy sources, and which suddenly was able to use oil as its primary energy source. YPF had this key role for Argentina not only with oil production and self-sufficiency, but the whole spectrum of social byproducts of an industry run by the state, whose goal, or organizing principle, was defending *the General Welfare*. Because YPF didn't just produce oil; it founded new towns, schools, and created an entire urban apparatus that didn't exist prior to the development of Argentina's industry under state control. Indeed, before YPF, the concept of long-term national development didn't exist. This is what Mosconi had, and is the spirit he injected into YPF. YPF became such an exemplary company that, between 1927

and 1928, Mosconi undertook a series of trips around the continent, visiting Uruguay, Bolivia, Colombia, Brazil, and even Mexico.

Mosconi's Continental Tour

The first outcome of Mosconi's tour was the founding of Bolivia's state oil company, YPFB (Yacimientos Petrolíferos Fiscales Bolivianos). And Mosconi continued his organizing work, traveling and giving presentations, explaining the method for creating a state oil company, why each nation could recover or develop its national sovereignty through this kind of economic practice, and how to make it successful.

These models were adopted in other countries. Of course, there were very tense confrontations with private companies, the subsidiaries of Rockefeller's Standard Oil and Europe's Royal Dutch Shell, which obviously opposed this kind of state company, which was growing rapidly and becoming increasingly a danger to these private interests.

As I've said, Bolivia adopted Mosconi's model of a state energy company and founded YPFB. Something similar happened also in the case of Colombia, where, during his organizing tour, Mosconi met both with a congressman as well as with President Abadía Méndez. They both understood that Mosconi's concept of physical economy was marvelous. After several years—five years, more or less—of negotiations and political organizing, Colombia's state oil company was founded. This happened very quickly, since things like this, concepts like this, hadn't existed in such detail previously. Mosconi made it reality.

Mosconi also gave a series of conferences in Brazil, explaining the Argentine experience in creating state companies of this sort. He was very warmly received, but it took several decades more, under the Presidency of Getulio Vargas, before Petrobrás would be founded, modeled on Mosconi's principles.

Since we're discussing here the lack of leadership in politics today, we have to underscore the excellent leadership that Mosconi provided Argentina, and later shared with other nations in an organizing effort that was so striking: YPF in Colombia [later Ecopetrol—ed.], in Bolivia and, later, thanks to Getulio Vargas in Brazil, Petrobrás, another state company with a monopoly over Brazilian oil management.

Argentina and Mexico

One very interesting thing is that on Jan. 30, 1928, Mosconi found himself in a meeting with Mexican President Plutarco Elías Calles, with whom he discussed his method for the creation of a state company that would have a monopoly over a nation's oil production: why it would be successful, why it would be the best direction for the nation, and why it was necessary to be courageous, and to confront those interests that would oppose it, given the huge benefits for the nation. Not only did he have this meeting with President

Calles at Chapultepec Castle, but he also—much to his surprise—ended up giving a conference at the University of Mexico, where he discussed his model for a state company. He was very warmly welcomed, and his speech was written up in the weekly *Oil Bulletin* headed by Mexican engineer Paredes.

Thus he was essentially doing the same type of work that we are doing today—discussing the depth of the crisis, identifying the interests that are pushing the world toward destruction, and explaining why it's not possible to make a deal with these interests, such as Felix Rohatyn.

Mosconi not only trained, through YPF, a whole scientific generation of young engineers who would go out to other countries, to perfect the methods that those countries were using in their oil production process, discovering in the process new technologies and applying them more and more rapidly. He also organized the entire continent to understand that there was only one real direction that Ibero-America should take, and that it were unacceptable to allow private oil interests to interfere in the decision-making of the nation-state.

Mosconi's work in Mexico was not the only influence in the birth of Pemex; there was also the entire legacy of the Mexican Revolution of 1910-17. But the method—transmitted in the same way that we pass on LaRouche's method for building an economy—was Mosconi's contribution. Later, in 1938, through President Lázaro Cárdenas's efforts in Mexico, Pemex was established as a state company to manage the nation's oil monopoly.

A Nationalist Policy

Mosconi returns to Argentina, and by the year 1930, is moving forward—with the help of President [Hipólito] Irigoyen, to consolidate a complete monopoly over the oil industry, which would put a definitive end to any possibility that foreign companies such as Standard Oil or Royal Dutch Shell would be able to operate in Argentina. The plan was to nationalize all fuel, create a state monopoly over exploration, exploitation, and transportation of fuel, establish YPF's autonomy, and impose a ban on transferring concessions to foreign companies.

This threatened the very existence of these other private companies, and a coup d'état was carried out against President Irigoyen in 1930, not only over the issue of oil nationalization, but also because of many other advances that were under way in the country in terms of defending the General Welfare. It was a very tense political situation: In 1930, Mussolini was in power in Italy, the Synarchist International was operating and conspiring. The Irigoyen government, which was the first to be elected by popular vote in Argentina, was overturned by a team composed of the business class which installed General Uriburu at the helm. He was then surrounded by ministers who were managers and presidents of all the private oil companies, and by an entire financial apparatus which,

obviously, as members of the Synarchist International, opposed the Mosconi legacy in all its forms.

The Nuclear Era

Today, the oil era is ending. The world has lived on petroleum for a century, more or less, and it is now running out. And so now we need to wage the fight for nuclear power, which is not tied to a raw material as in the case of oil, but rather to ideas, to technology, and to infrastructure. Because nuclear power needs the nuclear power plant, not mineral extraction. It doesn't require vast quantities of minerals to be mined from the earth; more important is its development through the machine-tool sector, through the building of infrastructure.

We've lived through these types of crises in the past. Historic individuals have faced this kind of challenge before, and like Mosconi have understood the continuity of generations and the significance of these kinds of challenges. People who feel small themselves, see these kinds of changes as too big, but we understand them as indispensable and unpostponable, and this view drives one to accept the challenge, understanding all the physical—and obviously social—consequences handed down to that civilization's posterity. It is not just an act of patriotism, either, since it transcends borders. It is a question of having that sense of immortality that we need today to take up the battle for nuclear power, which requires education and breaking with the myths that surround nuclear power.

I believe it is very easy to understand the crisis we are facing, and it is even easy to understand the process of nuclear power. It requires some effort, but the basic concept is something the average person can understand in a very short amount of time: how we control its dangers, and what are the great benefits—both economic and in terms of energy—that nuclear power can offer. However, a greater challenge is to understand why it is worth the effort to pursue it, and why we can succeed. How many times in the past were we successful, able to achieve victories of this sort, under worse circumstances? Today, we have an alliance with the United States, through Lyndon LaRouche. Such an alliance with the United States did not necessarily exist in Mosconi's day, because Roosevelt was not yet in the government, and therefore there was not an administration open to this kind of development.

So, having an alliance today with a revolutionary group as large as the LaRouche movement in the United States, and having the technology ourselves to carry this forward, the only thing missing is for each one of us to make the urgent decision to get involved. Because the clock is ticking, the crisis is accelerating, but tragedy is still avoidable if young adults are ready to put themselves at the service of civilization.

This is my message: to acknowledge some of the many historic individuals who have lived. The case of Mosconi is very similar to what we ourselves are doing. He had a real sense of educating people, very much linked to infrastructure

and to the power of organizing the transmission of this idea to other nations. And he confronted the Synarchist International. But, he left us what he desired, which was national sovereignty and an entire national economic apparatus which brought us great benefits, and allowed our nations to achieve a period of great splendor in the 20th Century, which today has been lost. The challenge is for us today to join forces and reestablish that direction. This time, with nuclear power. Times are moving rapidly, and are more demanding, but success can also be achieved more rapidly. It is a question of taking up the fight, not abandoning it, and not wasting what was given us from the past.

That is what I wanted to say about Mosconi and nuclear power. Thank you.

Ricardo De Dicco

Promote Nuclear Power All Over So. America

Energy expert Ricardo De Dicco, who works for the research center at the Universidad del Salvador in Argentina, is also an advisor to the Energy Commission of the Argentine Congress, and has written extensively on the need to develop nuclear power.

I'll begin with a first chapter on world energy consumption (see **Table 1**). In 2004—and this is the pattern over the past 20 years—88% of energy needs depended on hydrocarbon sources: 37% oil, 27% coal, and 24% natural gas. This tendency will continue for the next 25 years; that is, through the year 2030, where the percentages of oil, gas, and coal will be similar to what we have today. Renewable energy sources, and in particular such alternatives as nuclear and hydroelectric power, will continue to have insignificant participation, given the oil companies' intent is precisely to block the development of nuclear plants, so that the interests of the thermal plants, which they supply with natural gas or with coal, as well as with fuel oil and diesel oil, are not affected.

Now, when we analyze this matrix of energy consumption, we can see that the developed countries (in the OECD, or Organization of Economic Cooperation and Development),



Ricardo De Dicco

account for 54% of the world's energy consumption; Latin America and the Caribbean, only 6%. We have monsters such as the United States, which account for 23% of the world's energy consumption. China consumes 14%, and the Middle East—which is a region that contains the largest reserves of oil and natural gas—consumes a mere 5% of the total consumed globally.

When we take a closer look at this matrix, we see that the thermal plants supplied by highly-polluting coal, meet nearly 60% of the electricity demand in the United States. Natural gas accounts for about 20%. In the case of hydroelectric power, we can see that only Latin America and Africa have a highly interesting level of participation, which is close to 22%, while in other regions of the world, it is substantially below 10%.

As for nuclear energy generation, we can see the interesting participation of the European Union and also Japan. In the case of France, nuclear supplies 80%. It has not yet reached 100% there, because the French need to use a certain number of their nuclear plants to export electricity to countries such as Germany, that have chosen to remain in the past. In the case of Italy, not only are they not building more nuclear plants, but they have dismantled the existing ones. And so, since they have a tremendous deficit in electricity supply, and energy in general, they have had to resort to the massive import of these resources. In the case of electricity, they are basically importing nuclear energy from France.

And so, for example, when you look at the cutbacks in Italy in 2003, as a result of partial flaws at the electricity-generating plants, due to problems in fuel-oil, diesel-oil, and natural gas supplies, we see that France had to come to the rescue of an Italy that is backward in this sense, in terms of diversifying the risks associated with energy supply, by not using technologies which are alternatives to non-renewable and highly-polluting natural resources.

When we analyze the grid of the installed capacity of the different electricity-generating plants in the South American Community of Nations (see **Table 2**), note that this is data from 2003. In Argentina, 55% is generated by thermal plants, the majority of them supplied by natural gas, and a few with fuel oil, diesel oil, and just one with coal. Then, 40% with hydroelectricity, and 4% nuclear energy. And then, we have 0.1% coming from the nearly 27 MW of installed wind generators, but they do not contribute to the Argentine interconnected electricity grid; that is, they operate apart from the system.

The Problem with Hydroelectricity

In Bolivia, we see a significant dependence on hydroelectricity. But the thermal dependence is even greater, and there is no development of nuclear energy. In sum, in reviewing nuclear energy participation in Latin America, only Argentina, Brazil, and Mexico have developed these technologies.

TABLE 1

World Consumption by Primary Energy Sources, 2004

(Millions of Tons of Oil Equivalent and Percentages)

Regions and countries	Amount and % of World Total	Oil	Natural Gas	Coal	Nuclear	Hydroelectric
Latin America and the Caribbean	628 (6%)	306 (49%)	150 (24%)	28 (4%)	7 (1%)	138 (22%)
Africa	312 (3%)	124 (40%)	62 (20%)	103 (33%)	3 (1%)	20 (6%)
OECD	5,503 (54%)	2,252 (41%)	1,267 (23%)	1,163 (21%)	530 (10%)	293 (5%)
U.S.	2,382 (23%)	988 (42%)	582 (24%)	564 (24%)	188 (8%)	60 (2%)
European Union	1,719 (17%)	695 (41%)	420 (24%)	307 (18%)	223 (13%)	74 (4%)
Russian Federation	667 (7%)	129 (19%)	362 (54%)	106 (16%)	32 (5%)	40 (6%)
China	1,386 (14%)	309 (22%)	35 (3%)	957 (69%)	11 (1%)	74 (5%)
Japan	515 (5%)	242 (47%)	65 (13%)	121 (23%)	65 (13%)	23 (4%)
India	376 (4%)	119 (32%)	29 (8%)	205 (54%)	4 (1%)	19 (5%)
Middle East	482 (5%)	251 (52%)	218 (45%)	9 (2%)	0 (0%)	4 (1%)
World Total	10,224 (100%)	3,767 (37%)	2,420 (24%)	2,778 (27%)	624 (6%)	634 (6%)

Sources: IDICSO—USAL (2006) and Ricardo De Dico.

TABLE 2

Electricity Consumption in the South American Community of Nations, by Generating Source, 2003

(Percentage)

Country	Hydro-electric	Thermo-electric	Nuclear	Other	Total
Argentina	40	51	9	0.1	100
Bolivia	54	46	0	0	100
Brazil	85	7	4	4	100
Colombia	75	25	0	0	100
Chile	40	59	0	1	100
Ecuador	62	38	0	0	100
Paraguay	100	0	0	0	100
Peru	81	19	0	0	100
Uruguay	99	1	0	0	100
Venezuela	67	33	0	0	100

Sources: IDISCO—USAL (2005) and Ricardo De Dico.

And in the South American continent, Argentina and Brazil have each been able to build two nuclear plants that are currently in operation; soon there will be a third nuclear energy plant both in Brazil and in Argentina (perhaps more advanced in the case of Argentina, which is on the verge of completing it). In Brazil's case, Angra III will be the third plant, but they have just started working on this.

We can also see the importance of hydroelectricity for Latin America, above all in Brazil, where basically, it supplies 80% of electricity demand, or in countries such as Paraguay, where electricity comes basically from the binational Itaipú

project (Paraguay and Brazil) and Yaciretá (Paraguay with Argentina). Uruguay's reliance on hydroelectricity is quite significant, particularly with regard to the binational plant they have with Argentina, Salto Grande. They have a few thermal plants, supplied by crude oil derivatives and natural gas. In the case of Venezuela, the hydroelectric percentage is also very important, and it has an abundance of hydroelectric resources. And there is a similar tendency among the other countries of our subcontinent.

Problems arise, however, when we have years of little rainfall, making it difficult to increase installed electricity capacity to meet the internal market's annual increase in demand. Now the hydroelectric option is somewhat complicated, because aside from the environmental impact this kind of plant produces, there is the question of involuntary resettlements, which not only delay these projects for many years, but also destroy productive cycles, primarily in the agricultural sector, which are very difficult to rebuild.

And it's not easy to carry out these involuntary resettlements, with a few exceptions such as China, with the Three Gorges Dam, where the population is forced to move, involving nearly one million Chinese citizens. I believe that it is some 850,000 actually. Perhaps it's a little easier to carry out this kind of project, where the planning time can be drastically reduced, as opposed to the Argentina case. If they want to build the Garabí or Corpus Christi projects—Garabí would be binational with Brazil, and Corpus Christi with Paraguay—we would be talking about between 10 and 12 years to get them up and running as part of the Argentine interconnected electricity grid. This does not mean that these projects shouldn't be built, but that we must think about some alternatives to be able to simplify the problems we'll be facing in the short term.

TABLE 3

Comparison of Cost Structure of Electrical Plants in Argentina

(Dollars)

Type of plant	Amount	Variable Cost per Megawatt/ hour	Fixed Cost per Megawatt/ hour	Capital Cost per Megawatt/ hour	Total Cost per Megawatt/ hour
Nuclear CNA—II	750 MW	6	8	10	24
Nuclear CANDU	600 MW	5	8	24	37
Thermal CC	800 MW*	19	3	9	31
Thermal CC	800 MW†	25	3	9	37
Thermal CC	800 MW‡	32	3	9	44
Corpus Christi Hydroelectric	4,600 MW	0	2	45	47
Wind	50 MW	0	3	62	65
Solar	50 MW	0	5	204	209

* Gas at \$3 per million BTUs.

† Gas at \$4 per million BTUs.

‡ Gas at \$5 per million BTUs.

Sources: Francisco Carlos Rey (2004) and Ricardo De Dico.

Nuclear-Produced Electricity

Okay, now we have the the variable of nuclear-produced, energy-based electricity. Getting a nuclear plant under operation could take as long as four or five years, because there is also the first year of feasibility studies to determine where it will be located. Let's say that in five years, it can be brought on line. They are much cheaper than hydroelectric plants. Now let's look at a table in which we have a comparative analysis of the cost structure of electrical plants (see **Table 3**). With a classification of that cost structure, consisting of variable, fixed, and capital expenditures, we can arrive at a total value of the new nuclear plants which could be on the order of \$37 per megawatt/hour (MWh). In the case of Atucha II, the cost is \$24 MWh, which can be explained by the fact that it is almost 80% complete. A nuclear plant with a CANDU reactor of 600 MW of net power is \$37.

With a combined cycle thermal plant, supplied by natural gas which would have to be brought here from Bolivia over the next four to five years, we're talking about net import of natural gas, we suppose, on the order of—well, when I calculated this, nobody was talking about \$5.50 per million BTUs (British Thermal Units); this is the estimate that I put together last year, with help from engineer Francisco Rey. At about \$5 per million BTUs [the earlier price was \$3.20 per million BTU's—ed.], we are talking about a per megawatt/hour cost of nearly \$44! So, in this sense, we have a difference that actually favors the development of nuclear energy.

A plant like Corpus Christi would cost on the order of \$47/MWh. But we have very different completion deadlines for this kind of project, nearly triple, or a little more than double that of a nuclear plant. And we can see that wind power

and solar power far surpass the budgets of what would be needed to satisfy the Argentine market's electricity consumption needs.

Also entering into the picture here, is the factor of generating capacity. A nuclear plant could operate at 90% of its generating capacity for a full year.

Thermal plants generally oscillate between 80% and 90% also. Hydroelectric plants, however, have a generating capacity that is on the order of 55-60%, because they depend on how many weeks or months there are of rainfall, or if droughts extend longer than anticipated.

The world average for wind generators shows a generating capacity on the order of 25%. In Argentina, thanks to a combination of cyclones and anti-cyclones that we have in nearly all of Patagonia's coast, we can reach a factor of 45%, which is still only half of what

nuclear energy represents.

As for solar energy, it really doesn't even make sense to mention it. We're talking about an order of about 10-15%, meaning it would be very expensive, and yielding practically nothing in return.

One of the other problems in terms of non-renewable natural resources, such as hydrocarbons, is that the greatest discoveries were carried out between 1950 and 1980. Since the early 1980s, major discoveries have fallen substantially. In this last 50 years, the international price of a barrel of oil has increased enormously. Also, the main oil companies have had to make major investments in risk capital for exploration, and have basically found nothing significant. Last year, a joint operation by the (Russian) gas company Gazprom and British Petroleum, discovered a gas field in northeastern Siberia of approximately 300 billion cubic meters. We are talking about nearly two-thirds of Argentina's natural gas reserves; that is, nothing.

Right now, we see a significant increase in the level of proven reserves in Venezuela, but this isn't due to any new discovery, but rather to the fact that internationally, reserves of extra-heavy oil can be added to proven oil reserves which international agencies keep track of statistically. In this case in particular, we're talking about the Orinoco River basin. In Venezuela, their conventional oil reserves are 7.7% of the world total. If we add the existing reserves from the Orinoco Basin, we are looking at 28.3% of the world total. What is a truly frightening thought for the Venezuelan people in the period that we're living through, is what it will mean for them a few years down the road, to be the main reservoir of world oil supplies

TABLE 4

Hydrocarbon Lifespan in Argentina, 2005

(Millions of Cubic Meters)

Oil			Natural gas		
Extraction	Reserves	Lifespan	Extraction	Reserves	Lifespan
38.6	330.4	8.6 years	51.5	483	9.4 years

Sources: Argentine Energy Ministry and Ricardo De Dicco.

If we look at the life span of our oil reserves (see **Table 4**) and of refining capacity—which at this moment, has reached an 85% saturation level—we can see that if some of the main refineries cease to operate, either because of a planned stoppage or because of unforeseen circumstances, we will be forced to import the majority of the liquid fuel derivatives consumed in the country. And there are no encouraging signs that oil refining capacity is going to be increased, meaning that the Argentine energy problem is structural across the board. It is not just a question of being left with less oil or gas reserves. We also have a problem of installed capacity in electricity transmission.

Nuclear Energy To Produce Hydrogen

Something similar is also happening in oil refining capacity, and neither the development of alternative sources nor of renewable fuels is being financed, as Dr. Lyndon LaRouche commented earlier with regard to hydrogen.

How can nuclear energy be involved in the production of hydrogen? One of the studies we did a few years back in IDICSO (the Institute of Social Sciences Research) showed that a 700 MW nuclear energy plant could supply approximately 35 hydrolysis plants of 20 MW each, just to be able to produce hydrogen.

Unfortunately, our legislators are poorly advised, uninterested, or we don't know on whose behalf they're working. Throughout the 1990s, the only item that increased was the installed capacity of thermal plants, especially the combined cycle plants. This, in a country that is losing those strategic resources. And the importance of strategic resources like hydrocarbons is that they must serve, like energy itself, as a platform for industrialization—in this case, it would be the reindustrialization of Argentina—and for scientific and technological advances, which today need to be carried out in the context of South American regional integration.

Our hope for Argentina is that it will be able to recover that quality of being a sovereign nation that it enjoyed in the 70 years between 1922 and 1992, in terms of planning, management, and control of its own energy sector, which was promoted by YPF (Yacimientos Petrolíferos Fiscales), and later with the creation of other companies that were global models of management, such as State Gas (Gas del Estado), Water and Electricity (Agua y Energía Eléctrica), and the Na-



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"Wind and solar energy far surpass the budgets of what would be needed to be able to satisfy . . . electricity consumption," De Dicco pointed out. Denmark's windmills (shown here) consume more energy to build than they generate.

tional Atomic Energy Commission. The Atomic Energy Commission, in particular, has an enviable 56-year professional history, and stands on a par with other, more developed nations. Despite having a zero budget during that infamous decade of the 90s—it developed a modular plant, CAREM, a fourth generation plant that can be used for multiple purposes, whether for generating electricity, or for feeding electrolysis plants, or for channeling electricity to help in the extraction of heavy or extra-heavy crude oil, such as exists in Canada or in Venezuela. It can also be used for the production of radioisotopes, whether for medicinal or industrial purposes, and, moreover, it can be mass produced.

Generally speaking, medium and large power plants are built in a personalized way, depending on the needs of a particular country. The CAREM modules, which range from 25-350 MW, can be mass produced, and is a technology that can be used by countries that haven't yet developed a capability in nuclear energy. It is much easier to incorporate this technology through import of CAREM reactors, where Argentina could make a scientific-technological transfer with a much greater cost-benefit ratio than could be provided by CANDU, Westinghouse, Framatone, or other kinds of reactors.

And this is how INVAP, the state-run company for Argentina's technological development—not only in nuclear matters but also in satellites, defense, aerogenerators, etc.—has developed experimental reactors. It has exported several of these: two to Peru, to Algeria, to Egypt, and in more recent years, to Australia. We have won these international bids, and it is INVAP that has developed the CAREM reactors.

I believe it is urgent that the current government finance the development of a prototype, and later, mass production of nuclear plants, which would be both low- and medium-capacity reactors, so that we can keep pace with the increase in demand for electricity, and can transfer this knowledge to the other nations of our South American subcontinent.

Biofuels: A Losing Proposition

by Christine Craig

Using the ethanol industry's own highly optimistic assumptions about energetics and crop yield, two top U.S. scientists demonstrate that corn-starch ethanol is a losing proposition as a replacement for petroleum, and that cellulosic ethanol, although providing more potential fodder for the distillery, still falls short in volume and energetics. The entire U.S. corn crop, they show, would provide only 3.7 percent of our present transportation fuel needs, and the entire U.S. cropland would produce only 15 percent of our needs—by the most optimistic of assumptions. And this option would leave us without domestic food production capability, for human or animal use!

The scientists are James C. Jordan and James R. Powell, writing in an op ed in the July 2 *Washington Post*, "The False Hope of Biofuels." Both authors understand the energetics and supply parameters of biofuels and fossil fuels. Powell was one of the inventors of the superconducting maglev train in the early 1960s, while he was at Brookhaven National Laboratory. That invention provided the technological breakthroughs behind the maglev efforts of the Japan National Railroad, which is now constructing a 500-mile maglev line from Tokyo to Osaka. Until recently, he was one of the directors (along with David Danby, the co-inventor of the superconducting maglev), of Maglev 2000 of Florida Corp.

James C. Jordan is a former energy research program director for the United States Navy, and CEO of the HCE Company, an energy technology development firm. Both authors are now with the Maglev Research Center at the Polytechnic University of New York.

These scientists and businessmen of the World War II-generation laid bare the bankrupt notion of fueling our present or future transportation energy needs with modern-day biomass as a substitute for dwindling supplies of ancient, stored biomass in the form of petroleum—and they did it without mentioning the red herrings of global warming, security from foreign oil, or propping up the American farmer.

Despite such signs of sanity, the ethanol mania is raging through the country. The financial news service Bloomberg called biofuels investing a "frenzy" that is sweeping up venture capital money. Three years ago, the ethanol producer, Aventine Renewable Energy LLC, was bought by Morgan Stanley for \$66 million, and is now worth \$750 million. Goldman Sachs invested more than \$26 million into the Canadian cellulosic ethanol company, Iogen, in May of this year. Chev-

ron and other oil companies have been investing in ethanol distilleries to secure a stable supply of the precious liquor, in preparation for the implementation of the Renewable Fuel Standard of the 2005 Energy Act.

Microsoft billionaire Bill Gates and his venture capital company, Cascade Investments LLC, last year invested \$84 million in Pacific Ethanol, which is building a 35 million gallon-per-year plant near Fresno, Calif., and is planning four more. Richard Branson of Virgin Group, is looking to sink \$300 to \$400 million into ethanol investments. And Sun Microsystems founder, Vinod Khosla, another fabulously wealthy investor, has been buying up ethanol concerns like hotcakes.

To top it off, the vulture cartel Archer Daniels Midland, the largest ethanol producer in the United States, more than doubled its income last year, to \$1 billion—the largest annual profit in the company's long history. So much for farmer/co-ops driving the ethanol boom.

Behind the Smoke and Mirrors

What's behind the biofuels mania? Are these successful companies investing in a golden opportunity, riding the wave of the future of American energy policy—or are they as blinded by greed and market hype as Issac Newton, who, in the South Seas Bubble, lost his shirt?

Even the average ethanol enthusiast will admit that the starch fermentation and distillation of corn kernels to produce fuel ethanol is never going to supply more than a miniscule amount of U.S. transportation fuel needs. But the favorite argument of the ethanol enthusiasts is to promote "cellulosic ethanol," that made from corn husks and other green matter, which requires some technological breakthroughs to supposedly become efficient enough to replace gasoline. Then, the enthusiasts claim, we will be able to harvest vast areas of the United States for "energy" crops: switchgrass, corn stover, wood waste, even special "energy" forests.

This cellulosic ethanol fantasy has taken hold of the imagination of greenies and venture capitalists alike: at the heart of the matter, are fat Federal subsidies and Federal and state mandates for more biofuels, and "renewable" energy in general. There is a substantial set of "supply-side" incentives for the two main biofuels—ethanol and biodiesel—including tax subsidies, grants, loans and leases, rebates, exemptions, fuel discounts, and technical assistance.

The most important Federal legislation in this regard extends the tax credit on ethanol, now 51 cents per gallon, through 2010. Another important Federal incentive to encourage "small" producers of ethanol—producing less than 60 million gallons per year—is the updated Volumetric Ethanol Excise Tax Credit (VEETC), which allows a 10-cent a gallon credit for up to 15 million gallons produced. Several farm belt states have legislated more such credits.

To assure a guaranteed market for the product, the Federal Renewable Fuel Standard (RFS) mandates that 4 billion gallons of ethanol and biodiesel must be mixed into transporta-

tion fuels in 2006, and that 7.5 billion must be used by 2012. The RFS will be enforced and implemented by the Environmental Protection Agency.

At least six states, including Hawaii, Iowa, Louisiana, Minnesota, Montana, and Washington, have also mandated various timetables for required percentages of biofuels to be mixed with transportation fuels. More will certainly follow.

California already has a host of renewable energy standards, and is pondering a requirement to increase total biofuels consumption to 1.2 billion gallons by 2010, and 2 billion by 2020. There is also another form of renewable fuels “subsidy” in action in California. The two massive California public retirement systems, the California Public Employee Retirement System (CalPERS) and the California State Teacher Retirement System (CalSTRS), have committed hundreds of millions of dollars to “green” investing of their investment portfolios, as part of California Treasurer Phil Angelides’ 2004 “Green Wave Initiative,” which plans to tie public investment to environmental goals such as reduction of green house gases, energy efficiency, alternative energy, etc.

Given the number of subsidies for the biofuels industries, and the enormous amount of hype coming from Washington, D.C., and the state capitals on the endless potential for biofuels to free America from foreign oil, runaway gasoline prices, and global warming, it is no wonder that speculators expect to make a killing.

Both Democrats and Republicans seem mad about ethanol. President Bush, in his State of the Union address, called for replacing more than 75% of Middle East oil imports by 2025. The speculators see biofuels as the guaranteed inside track, near-term solution for the consensus energy policy imperatives. The lucrative incentives are the writing on the wall.

Meanwhile, most of the rest of the world is moving forward with a nuclear renaissance, to produce nuclear electricity and to use the new, high-temperature reactors to produce hydrogen fuel—a sensible, efficient alternative to petroleum fuels. The United States also plans to go nuclear, and to produce hydrogen, but is proceeding on a long, drawn-out timetable, compared to other nuclear nations.

Speculator Hawks the Ethanol Hype

The case of Vinod Khosla is an example of the modern venture capitalist, positioning himself to cash in on the perceived future market of cellulosic ethanol, while pumping up the present corn/sugar ethanol bubble by word and deed. Khosla has been in the news frequently in the last few years, on behalf of biofuels. “What could be better than a greener fuel that’s cheaper for consumers, that doesn’t feed Mideast terrorism, yet instead fuels rural America?” Khosla asks Stone Phillips on NBC “Dateline” this May. He says that Brazil convinced him that, “in less than five years, we can irreversibly start a path that can get us independent of petroleum.” In

a recent weekly newspaper aimed at the Asian reader, he was featured on the front page, with a headline touting \$1 fuel at the pump with biofuels. And in December 2005, Khosla produced a massive powerpoint called “Biofuels: Think outside the Barrel.” He now has a video out with the same name. On the second slide of his powerpoint, he gets right to the sales pitch:

- We don’t need oil for cars and trucks
- We definitely don’t need hydrogen!
- We don’t need new car/engine designs
- We don’t need new distribution systems
- Rapid (3-5 yrs) changeover of automobiles is possible!
- Shift has little cost to consumers, automakers, government.

Then, on the third slide comes the punchline. Above a photo of a gas pump advertising E-85 (85% ethanol) motor fuel at \$1.89 9/10, Khosla proclaims: “Not so Magic Answer: Ethanol.” For another 110 slides he keeps hammering home the message, with the infectious optimism of a world-class car salesman: Everybody wins with ethanol; farmers win, investors win, producers win, oil companies win, governments win, consumers win, the environment wins. It’s the perfect win/win situation. But . . . to do this, we must immediately institute the following policy measures—a laundry list of new subsidies, incentives, and requirements guaranteed to make ethanol a lucrative investment for suckers of all persuasions.

While Khosla and others of his ilk are luring the lemmings with smoke and mirrors to jump into the transportation fuel bubble, the basis for his whole scheme—a robust automobile industry—is being dismantled faster than new suckers can sign on. The American automobile industry is bankrupt, its workers largely gone, the machine tools auctioned off for pennies on the dollar. Cold-blooded fascist financiers like Felix Rohatyn have midwived the bloody abortion of the American auto industry, as they did the steel industry before it.

The system is coming down, and another South Seas Bubble cannot save it, any more than the first one could bail out bankrupt England three centuries ago. Only a return to sanity and rational action in Congress and other institutions of government, to save the industrial capacity of our nation, as outlined by Lyndon LaRouche, stands a chance of stopping a new dark age.

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A Sick Economy Is a Hazard to Health

The government plans a new round of deep budget cuts in health care, under the guise of “reform.”

When the “World Cup fog” lifts from the brains of German citizens after the soccer tournaments end on July 10, the ugly reality of the deepening world economic-financial crisis will hit hard.

Indeed, the Grand Coalition government of Chancellor Angela Merkel already announced on July 2, that it would go ahead with its “health sector reform.” Many details have not been settled between the coalition partners, the Christian Democrats and the Social Democrats, but both partners agree that there should be reduction in state expenses for the public health system. Even after a series of caps on state funds for health expenses, Germany’s state-run health system still requires 140 billion euros every year, which the government’s experts, all trained in monetarist ideology, say is too much. They claim that since mass unemployment cannot be overcome, tax revenues will inevitably shrink, so that the state can no longer fulfill its traditional social functions; therefore, one has to look for other sources of revenue, and drastically cut expenses, especially in the health, social, and labor budgets.

The experts are calling for a “national health fund,” from which all payments—*reduced* payments, that is—shall be distributed. This implies that certain categories of medical treatment will be blacklisted, or will be declared eligible only if the patient can pay a substantial share of costs. Any deficits that occur in the national health fund, as can be expected because of the decreasing tax revenue of

the state, will either have to be covered by extra taxation, or by cuts in other budgets.

As the *Financial Times* of London on July 4 wrote under the headline, “German Welfare Goes Beyond Bismarck,” this new plan means that “for the first time since Otto von Bismarck built the first European welfare system out of social insurance schemes into which employers and employees paid, the German state is to start contributing to health care costs directly out of general taxation.”

Paying through taxation, means that the average citizen, the tax-paying lower 80% of income-brackets of the German population, will have to carry the burden of the health-care system, whereas those who make up the highest 20% of income-brackets will not pay into that system, but into a private health insurance company, separate from the “fund.”

Employers will no longer pay into the state insurance the same amount as their employees pay, as has been the case before. This comes under the simplistic monetarist propaganda line that a smaller tax burden for the entrepreneur would enhance his willingness to employ more people. The payment that employees make into the national health fund, however, will replace the payments they have so far made into state insurance, so there will not be any real improvements for them. As a matter of fact, the markedly reduced treatment people will get under the new system, is only a few steps away from the euthanasia of Nazi fame, which 65 years ago denied medical treatment to

severely disabled citizens, declaring their murder to be mandatory in the alleged “interest” of the state in a “healthy population.”

With the Bismarckian notion of general welfare sacrificed for the cult of budget-cutting, social peace could be threatened as well. When Bismarck introduced the system in 1878, it was designed to consolidate the notion of a common responsibility of employers and employees for the functioning of state and society. At a time when Anglo-Dutch banking and free-trade interests were propagating the profound difference in “class interests,” the Bismarckian system opted for the American-System notion of an industry-worker alliance for the progress of society as a whole. If that alliance is broken up by the “reform” that is now on the table, a new era of profound social conflicts can be expected.

Within the parameters of existing economic and financial policy, with its shrinking productive growth and state revenues, there is no solution to the problem. Only if a serious effort is made to regain full employment, through investments into industry, infrastructure, farming, and only if that is done together with state credit guarantees, can an increasing state budget be funded by increasing tax revenues. This has to begin with abandoning the European Union’s monetarist “Maastricht System” of budget-restraining dictates, and with restoring the national budget sovereignty that will allow the state to arrange for productive credit to industry. The reindustrialization of Germany, the return to full employment, and to a guaranteed public health system, is what the LaRouche movement and its party in Germany, the Civil Rights Movement Solidarity (BüSo), is calling for. And that is the only real alternative, to date, to what the German government plans to do.

Business Briefs

Philippines

Economist Blasts Those Who Don't Reject IMF

Philippine nationalist economist Alejandro "Ding" Lichauro has lambasted the country's political opposition for not supporting industrialization, and not rejecting the demands of the International Monetary Fund. As reported by the June 29 *Philippine Daily Tribune*, the Harvard-trained economist who jokes about his Harvard training, cut through the globalization claptrap to note that both China and India, despite the "communist" vs. "democracy" labels, are both economic socialist states, and have succeeded as far as they have only through heavy industrialization.

This required "ignoring the IMF and World Bank, which of course both did in the years that they were laying the foundations of their current achievements."

Lichauro insists that this is true for any nation, and that the disaster in the Philippines is that the opposition have no other program other than to see President Gloria Macapagal Arroyo out. "In fact, the opposition today, particularly the opposition represented by civil society, is led by elements who are on record that they don't believe in the heavy industries."

If Gloria is forced out, he says, it will not be due to the opposition, but due to mass hunger—and the hungry will turn against whoever takes over.

Lichauro follows *EIR* closely, and joined *EIR*'s Mike Billington on the podium of his press conference when Billington visited Manila in 2005.

Derivatives

\$115,000,000,000,000 —As System Collapses

Pyramid schemes must either forever expand, or they will collapse. The current derivatives bubble is no different. At the end of 2005, the level of derivatives outstanding at U.S. commercial banks broke the \$100 trillion barrier, ending the year with \$102

trillion. That number increased to \$111 trillion in the first quarter this year.

The derivatives market took off after the crash of 1987, and it took 14 years for the commercial banks to hit the \$50 trillion mark, but less than five years to get the next \$50 trillion. The level of derivatives, with some fluctuations, has gone up consistently quarter by quarter, with the glaring exception of the post-9/11 fourth quarter of 2001, when the level dropped from \$51.7 trillion to \$45.5 trillion, suggesting some disasters papered over during the market shutdown after 9/11.

In these days of deregulation, the big banks are organized into holding companies, which engage in activities not permitted to the commercial banks themselves, such as investment banking. Adding the extra derivatives held by these subsidiaries to the total, yields \$115 trillion in derivatives at the bank holding companies, 89% of which is held by just three companies. JPMorganChase, the world's top zombie bank, had a whopping \$54 trillion in derivatives as of March 31, more than the entire U.S. banking system had in September 2002, and nearly as much as the next two banks combined: Citigroup with \$25.6 trillion, and Bank of America with \$23 trillion.

The big three are also heavy players in the credit derivatives market: JPMC has \$2.8 trillion, more than twice its \$1.3 trillion in assets; Citigroup has \$1.1 trillion in credit derivatives against \$1.6 trillion in assets; and Bank of America has \$813 billion versus \$1.4 trillion.

Ibero-America

Argentina, Venezuela To Issue Binational Bond

Argentina and Venezuela will issue a binational bond, tentatively called the "Bond of the South," which could represent early steps towards creating a regional bank to finance projects. Announcing this after meeting privately with Venezuelan President Hugo Chávez July 4 and signing a "strategic alliance" between the two nations, Argentine President Néstor Kirchner explained that the details of the new bond

would be worked out over the next 60-90 days, but that the idea is to generate income "to consolidate strategic processes of investment," and create a healthy capital market, offering good rates.

This proposal came from the Argentine government and was presented to the Venezuelan Finance Ministry a month ago, where it was warmly received. Argentine government sources told the daily *Clarín* that the proposal is intended to be more than a bilateral arrangement, eventually issuing a bond backed by all Mercosur member nations, which would lower the bonds' cost.

It would create an independent source of financing, and as Kirchner stated in his July 4 speech to the Mercosur heads of state, "It could be the beginning stages of creating a bank, and a financial space for the South, that would also allow us to generate our own chains of financing to provide responses to what our region and our societies are hoping for."

One option under discussion of how the bond would work would be particularly beneficial for Argentina. Venezuela, whose "country risk rating" is lower than Argentina's, would issue the bond and then re-lend the proceeds to Argentina at attractive rates. In this way, Argentina would have access to funds at rates it could not get alone.

Hedge Funds

Now You Almost See 'Em, Then, Up, Up, and Away

While leading bankers were insisting to a European Commission meeting July 5 that hedge funds should be completely free of nations' "legal and regulatory obstacles," reports were coming out that hedge funds across the board lost money again in June.

The most complete report, by Merrill Lynch, estimated that the entire hedge fund "sector" lost 0.65% in June, after "Meltdown May," in which it lost 3% across the board. This means that hedge funds' clients lost a lot more than that, after the managers' fees were paid—but more important, it means that hedge funds kept "blowing up" and disappearing during the month. Any one of these blow-ups could be another LTCM.

As for the current month, the funds are probably continuing to lose, because in June they started short-selling commodities futures. But late in the month, commodity hyperinflation was stoked up again, when “the central banks got scared, and went back to liquidity pumping,” as Lyndon LaRouche noted in a discussion July 6.

When, on June 30, the Federal Reserve failed either to raise rates half a percent, or to forecast any further rate increases, the commodity hyperinflation curve immediately bent upward again. By July 6, oil had reached an all-time record \$75.40 a barrel; gasoline a near-record \$2.30/gallon wholesale; and gold, copper, silver, zinc, and aluminum had resumed their 1-2% per day upward habit.

So the short-selling hedge funds are bound to be losing some more in July.

The European Commission report which demanded that the funds be left completely unregulated, came from their bank sponsors: Goldman Sachs, Morgan Stanley, Allianz, Man Group, and so on.

While the Commission took no decision, financial wires report that it is likely the “light touch”—no regulation, no registration—will be maintained, slapping down the proposals European Central Bank head Claude Trichet made during June.

Deregulation

EU Wants To Abolish Regs on Hedge Funds

European Union rules that restricted access by small investors to hedge funds should be abolished, says a report released by the European Commission. The July 4 *Financial Times* notes that the report was commissioned last year by Charlie McCreevy, the EU internal market commissioner, a rabid free-marketeer and deregulator, who has been warning against over-regulating the \$325 billion European hedge fund “industry.” “Retail investor access to appropriately marketed hedge fund-based investments should no longer be taboo,” the report says.

The *Financial Times* observes that the report’s stance is in sharp contrast to the

statements by former German Chancellor Gerhard Schröder, who has called for more restrictions. And just last month, the European Central Bank warned that hedge funds constitute a major risk to global financial stability.

Globalization

U.S. Industry Nearing ‘Point of No Return’

U.S. industry, under attack from free trade and globalization, is nearing the “point of no return” in its collapse, according to researchers at the U.S. Business and Industry Council Educational Foundation.

Writing in an op-ed in the *Washington Times* July 2, Alan Tonelson and Peter Kim noted, that economic figures not tracked by the government show that the nation has been steadily losing home market to products from overseas. “Unless this rising import penetration is reversed, the nation’s long-time global industrial leadership and all the benefits it has generated will be irretrievably lost.”

The U.S. Business and Industry Council found that of 112 industries examined, import penetration fell in only four between 1997 and 2004. “Among the losers were industries critical to the fate of any modern industrialized economy,” including aircraft, machine tools, and turbines for power plants. Import penetration rates more than doubled in 19 of the 112 industries.

This means that imports have seized control of numerous industries that long fueled U.S. economic growth, productivity gains, technological progress, and high-wage jobs. In 7 of 112 industries, imports now represent at least 70% of the U.S. market—including machine tools.

Unlike financial indicators, import penetration rates focus on activity that contributes directly to domestic economic growth. A country whose manufacturing sector keeps losing its share of a growing national market is a country with weakening fundamentals. Without fundamental change, they warn, U.S. industry’s decline will be pushed closer to “the point of no return.”

Briefly

YEMEN WANTS NUCLEAR energy. Yemeni President Ali Abdullah Saleh announced July 4 that he would seek to produce nuclear energy. “My future tasks include the huge development file . . . and that of the energy production required to meet growing needs, including producing electricity through nuclear energy,” he said, as he registered his candidacy for a new term in office.

LAZARD IS ADVISOR in megabid by Veolia—the world’s largest water company, for Vinci SA, the world’s largest builder, both based in France. Lazard Ltd. was hired by Veolia in Summer 2005, along with Morgan Stanley, to advise Veolia on its hostile takeover plans, according to *Le Figaro* and Reuters.

Veolia was set up by imperial decree of Napoleon III in 1853; it first supplied water to Lyons, then by the 1880s had water concessions for Venice, Istanbul, and many other cities. Vinci’s building projects include the Channel Tunnel; it also owns Auto-roues du Sud.

AN ASIA-STYLE CRISIS in southeastern Europe, is the subject of a warning by the European Central Bank. In a special report presented in Frankfurt July 4, the Bank sounded a surprise alarm over the risks involved in the excessive borrowings abroad, by Eastern and, especially, South-eastern countries such as Romania and Bulgaria. There, about 50% or more of new borrowings are denominated in foreign currencies, which the Bank says pose the risk of “an Asia-style financial crisis.”

CHINA NATIONAL NUCLEAR Corp. has announced plans to build the country’s first inland nuclear power plant within three to five years, the July 4 *China Daily* reports. China Nuclear set up an office in Hunan to conduct preparatory work. “The multi-billion-dollar nuclear project will fuel the economy of inland regions,” said an official, “where development lags behind the east.”

Mexican Elections Open Period Of Great Global Struggle

by Gretchen Small

Mexico's Presidential elections on July 2 have yet to produce a clear victor, despite the official July 6 announcement that the candidate of the ruling National Action Party (PAN), Felipe Calderón, won by a mere 243,034 votes of the total of 29.76 million votes cast, over his leading contender, Andrés Manuel López Obrador, of the Democratic Revolutionary Party (PRD). López Obrador announced that same day that his "Coalition for the Good of All" will challenge the election results in the courts, and will take his case, that the election has been stolen, to the Mexican people.

Reports of irregularities at 50,000 of the 130,000 polling stations; the dubious reporting of a consistent Calderón lead by election officials in the preliminary count; and the fact that election officials, only when caught, admitted that more than 2.5 million votes had been set aside for "inconsistencies," even as they claimed 98% of the vote had been counted, were among the things which raised the stench of a rigged election, especially given the tight vote.

Unlike the capitulation of the Democratic Party in the wake of the questionable U.S. elections in 2004, López Obrador made it clear that he does not fear mobilizing the people. On July 6, the candidate convoked Mexicans to attend a July 8 rally in Mexico City's main plaza, the Zócalo, to inform them of the evidence of fraud, which the campaign will file on July 10 before the electoral court. A new phase of battle had been opened.

These Mexican election developments are a sign of the times into which the world has entered as a whole. Nothing is settled, and nothing will be settled, American statesman Lyndon LaRouche noted on the morning of July 4, before the current phase of the conflict had even opened. And that is because the international financial system is collapsing. The *Ancien Régime* is proclaiming its security at the time it's about

to fall. This thing is coming down, whether today or next week, or within the month: It's coming down, LaRouche said. Nothing is going to be settled, because the system is coming down.

Financier interests have been threatening López Obrador that whatever happened, he must not bring the Mexican people into the fight, or he will be held personally responsible for provoking financial crisis and chaos in Mexico. That threat is meaningless, LaRouche noted. Whatever happens, it's a stand-off. If they declare Calderón the victor and override the opposition, *that* will lead to chaos.

Nothing is going to be settled now, LaRouche reiterated. This opens a period which has the characteristics of a revolutionary period, globally. Because the entire world system is coming apart. And under those conditions, no one has a secure position. Reality will assert itself. This is like somebody saying: 'We're going to win this war in Iraq quickly.' Remember? The famous victory in Iraq, Bush declaring victory on the ship? 'I declare victory!' Well, then why are we still fighting a war three years later?

LaRouche was emphatic: This election is the opening of a great struggle, which is not going to quit real soon. We are entering into a period of great struggle. Nothing is settled, and nothing is really likely to be settled. This is a period of open struggle, which is going to be continuing for the present period. And people have to understand that. As in Mexico, so everywhere else.

The fact that López Obrador, from the night of the election, refused to capitulate to a government-run media effort to present Calderón as the undisputed winner, before any official count had been carried out, shows that he has some sense of the greater strategic picture, LaRouche added.

New Winds Sweeping Ibero-America

For the past six years, Mexico has been ruled by the PAN, the leading party of Synarchy in Mexico since its founding by direct Nazi Party intelligence operatives in the last Great Depression. Former Coca Cola salesman Vicente Fox, however, proved unable to put through the structural reforms which the global financier interests demand. The PAN did not have a majority in either the Senate or the Chamber of Deputies, and members of the Revolutionary Institutional Party (PRI) and the PRD allied to block the privatization of the state oil and electricity companies, refused the government's proposal to loot the country's most poor through a Value Added Tax upon basic foods and medicines, and so forth.

With former President Carlos "NAFTA" Salinas and his minions in the PRI party apparatus imposing Roberto Madrazo as the Presidential candidate of the PRI party, on a platform of "Synarchy Light," diverse interests from various parties coalesced around López Obrador as the potential leader of a resurgence of Mexico's once-famed nationalism. That nationalism had been reduced since 1982 to mere rear-guard actions in defense of national sovereignty, but was never entirely crushed.

Thus, although there were five contenders in the race, the election came down to a race between the two contending currents which have shaped Mexican politics since the founding of the nation: those upholding the principle of national sovereignty to defend the General Welfare, versus those allied with oligarchism, and the relevant imperial power of the day.

Despite the ups and downs of Mexico's history, until the financiers succeeded in crushing the country at the end of 1982—a defeat secured when Argentina and Brazil, in particular, refused to join Mexico in declaring a debt moratorium to force through global negotiations on a return to a production-oriented world monetary system—Mexico played a key role in defending the principle of national sovereignty and the General Welfare within the Western Hemisphere. The last thing the financier interests wish to see now, is the revival of that deep-rooted Mexican tradition, precisely at the time that "the winds of change are blowing across Latin America," as Argentine President Néstor Kirchner put it in his July 5 address to Venezuela's National Assembly.

Recognizing to some degree the collapse of the global financial system, and seeing the fight within the U.S. Democratic Party for a return to Franklin Delano Roosevelt's policies which the LaRouche forces have unleashed, the Western Hemisphere allies of the United States are rebelling against the Synarchists' anti-State policies of unregulated looting by private interests. Integration for production and development is back on the agenda in South America, and Mexico is needed to advance those changes to the whole Western Hemisphere. No amount of outraged cries against alleged dangerous "populism" will long be able to hide the fact that nearest U.S. neighbors would jump to ally with a United States which

came to its senses, and led a fight to replace a financial system which is crushing every nation worldwide.

The Stampede That Failed

It is feared that this spreading rebellion could reach the U.S. border in this election, which lies behind the hysterical cries that López Obrador is an intolerant, messianic authoritarian and "a danger to Mexico," because he won't accept the orchestrated results.

The Synarchists behind the Calderón campaign had hoped a concerted campaign by the government, the PAN, and the Federal Electoral Institute (IFE), to ensure reporting that Calderón was the undisputed winner, could stampede López Obrador into conceding the election quickly. According to some reports, the PAN had hopes that they would get a quick recognition of the Calderón victory by the Bush Administration, to convince their opponent he had no chance. All the reports broadcast around the world in the first two days after the election, that Calderón had won the election, were based entirely on "preliminary" counts—but no one reported that part.

Times being what they are, reality not being as the *Ancien Régime* would have it, López Obrador did not capitulate, not early, nor after the *official* count was finished two full days later. López Obrador and his team are holding firm that a vote-by-vote recount of the entire election is required. The mood in the country is hot, too. Should that full recount be refused, those who opposed it shall have sole responsibility for what happens in the country, PRD officials say.

PAN leaders hysterically denounce any vote-by-vote recount as a violation of the law, which they insist only permits specific polling station votes to be recounted, under specific conditions. The mere talk of a full recount is proof that López Obrador doesn't respect the law, PAN leaders rave.

Some international financial circles are getting worried that if Calderón and the *Ancien Régime* attempt to simply strongarm acceptance of their victory, their delusions of pulling together a "coalition government" with sufficient legitimacy to ram through fascist "reforms" could go down the tubes, and the situation in Mexico could slip out of their control altogether. Then, how could Mexico change its Constitution, adopt a parliamentary system, permit foreign takeover of oil and electricity, eliminate the remains of the national pension system, bust the trade unions, and make Mexico's poor, by God, pay those taxes on their food and medicine?

This fear is what explains the chorus of voices, from London's *Financial Times*, to the *New York Times*, Wall Street political whore Jorge Castañeda, and the National Endowment for Democracy's top operative in Mexico, Sergio Aguayo, pressing the Mexican government and Caldefon to accept a vote-by-vote recount, with the argument that his election must have legitimacy, as well as legality. The hysteria with which the PAN refuses any such recount, raises suspicions that it fears that a recount might just overturn its victory.

Israel Escalates War, While U.S. Does Nothing

by Dean Andromidas

The Israeli attacks against Palestinians in Gaza are threatening to further destabilize the rest of Southwest Asia, with an immediate threat to Syria. As of this writing, a prisoner exchange deal involving the release of at least 100 Palestinian prisoners in exchange for Israeli Corporal Gilad Shalit, who is being held by Palestinian militants, is under intensive discussion, but has not yet been accepted by the government of Prime Minister Ehud Olmert. Instead, Olmert is escalating threats against Palestinian leaders, including those resident in Syria.

Meanwhile, as Israeli Meretz party chairman Yossi Beilin has charged, the United States is doing absolutely nothing to bring an end to the crisis. Others in Israel are speaking out against the Olmert government's policy, including Corporal Shalit's father, who called for a prisoner exchange, noting that such things have been done many times before.

But the government is not listening, and tensions are rising with each passing day. On July 4, in a not-so-veiled threat against Syria, Olmert told a business conference in southern Israel that he had ordered the army "to strike terrorists and those who sent them, and those who sponsor them. None of them will be immune." Defense Minister Amir Peretz and other government officials have made similar threats, which have only served to diminish any hope of securing the Israeli soldier's release.

Following these threats, both Israel and Syria have raised the level of alert of their troops along their common borders. The Syrians went on high alert after Israeli F-16 jets buzzed the Latakia Palace of Syrian President Bashar Assad on June 28.

Far from being intimidated, Assad told the Arab daily *Al Hayat* that Syria will not act against the Hamas leaders who are living in Syria, including Hamas leader Khaled Meshal.

"We were asked [by the Americans] to lay siege to Hamas, strike Hamas," Assad said. "This was a change of behavior requested of Syria." He made clear that Syria was not willing to comply. "If we were, we would have done that a long time ago."

A Cheney-Rumsfeld 'Rear-Guard' Action

The real cause for this very predictable escalation, which will go much further if not stopped, lies at the doorstep of

Vice President Dick Cheney and his agent-in-place, Likud Party Chairman Benjamin Netanyahu. Netanyahu met Cheney and Defense Secretary Donald Rumsfeld June 17 in Beaver Creek, Colorado, where the topic of discussion was U.S. policy toward Iran. It is well known that Cheney does not support the recent shift in U.S. policy toward direct talks with Iran, a policy proposed by saner elements in Washington.

Senior Middle East intelligence sources have told *EIR* that they view the latest round of Israeli military operations against the Palestinians as a "rear guard" action by Cheney and Rumsfeld to spread more chaos and war in the region in the face of efforts from within and outside the Bush Administration to resolve both the Iraq war and Iran crisis. The same source said to expect an Israeli attack against Syria in the context of an assassination attempt against Hamas leader Meshal. "Cheney can't get away with an attack on Syria now, so he will have the Israelis do it for him."

Another senior British intelligence source said that the Israeli attacks on Gaza, and the arrest and assassination of Hamas officials, is destabilizing the entire region. He said it has already affected talks the U.S. is having in Iraq with the Sunnis, who are demanding that something be done to stop the Israelis as a condition in their negotiations.

Even if a prisoner exchange takes place, it will not calm the situation, but instead, will only set the stage for the next crisis. Palestinian militants continue to launch homemade Qassam rockets from the Gaza Strip into Israel, some of which have reached the coastal city of Ashkelon, nearly 15 kilometers away. The Israelis' only response has been to re-enter Gaza and continue targeted assassinations.

U.S. Must Play a Role

The only way to end the violence, as with any asymmetric warfare, is through negotiations that resolve the conflict and lead to the early establishment of a Palestinian state. Only a strong U.S. involvement can broker such negotiations, but it is obvious that, under Cheney and the neo-cons, quite the opposite is taking place. In fact, the Bush Administration is seen as doing absolutely nothing to help resolve the crisis, a policy that will lead to predictable results: the spreading of the conflict to Syria, Lebanon, or even Jordan, as the Olmert government lashes out militarily.

This "absolute American silence" was condemned by Meretz party chairman Beilin, in a commentary in *Ha'aretz* July 5, pointing out that George W. Bush is the first U.S. President who has done nothing to help Israel. He recounted the role of Reagan Administration envoy Philip Habib in 1981, who brokered a ceasefire between Israel and the Palestinian Liberation Organization which held until Ariel Sharon sabotaged it by launching the Lebanon War.

After describing how the Bush Administration "doesn't have any form of dialogue with Iran or Syria, it boycotts the

Hamas government,” and therefore refuses to mediate the crisis, Beilen writes:

“A different administration would have sent a special envoy to the region who would shuttle between Syria, Gaza, and Jerusalem, trying to calm things down, threatening, promising, fuming—all in order to end the crisis.” He also pointed out that President Clinton not only sponsored the Oslo peace accords, but intervened in several major crises, including when Benjamin Netanyahu nearly triggered a war in the region in 1996.

“The worsening violent conflict in the Middle East is a blatant reflection of the weakness of the American partner. At the moment of truth, when Israel needs a powerful third party capable of moving things in the area, it turns out that little beyond the repetitive recitation of Bush’s vision and the dust-covered road map can be expected, which neither side intends to actually implement.”

According to press reports, the proposed prisoner exchange has not been brokered by the U.S., but by Egypt and Turkey, who had taken it upon themselves to mediate talks with Syria, the Hamas government, and intermediaries for the Palestinian militants, i.e., everything the U.S. Administration refused to do.

Voices of Sanity in Israel

There are also voices of sanity within Israel, notably among military circles, who would like to see Corporal Shalit returned alive and well. According to Israeli intelligence sources, Chief of Staff Dan Halutz told the Israeli cabinet July 2 that military force alone would not be able to secure the release of Shalit. Halutz outlined what acceptable terms would be for a prisoner exchange. These could include the release of Hamas parliamentarians and those held under the Prevention of Terrorism Ordinance as long as they did not have “blood on their hands.” The military said they would not recommend a phony prisoner release like one conducted in 1996 by then-Prime Minister Netanyahu, when he freed common criminals, rather than political detainees, in order to fulfill Israeli obligations under the 1996 Wye agreement brokered by President Bill Clinton.

Despite the hyperventilating statements by Olmert, a whopping 69% of Israelis would support a prisoner exchange, according to a poll commissioned by the daily *Yediot Ahronot*. Noam Shalit, father of the captured Israeli soldier, called on the government to release the Palestinian prisoners. Shalit told *Ha’aretz*, “I know releasing prisoners was on the agenda before the incident, as a kind of gesture, so there is no reason for it not to be on the agenda also after the incident. . . . In the end, it will be necessary to pay a price for Gilad’s freedom. I don’t understand why the government is delaying negotiations on the price.” Shalit also said that he was willing to meet with those holding his son.

A few days earlier, Shalit told Israel’s Channel 10 TV that

when he spoke with Chief of Staff Halutz, he asked him “to represent Gilad’s interests, as a soldier sent by the army, as a soldier to a soldier, that he represent Gilad’s interest to Israel and to the decision-making echelons.” Shalit added, “Of course, when I say ‘Gilad’s interest,’ that is for him to return home, safe and healthy, as soon as possible.”

In an interview appearing in *Ha’aretz* July 3, even “dirty” Rafi Eitan, former Mossad agent, and now head of the Pensioners Party and a Minister in Olmert’s government, expressed doubts about the wisdom of invading the Gaza Strip. “I would have thought twice about going into Gaza with a large military force, or would have waited until I had the defensive means to deal with the Qassams [rockets] appropriately, something I believe the IDF will have to do sooner or later. As a rule, I believe that in the long race against terrorism, defense must come first. We cannot kill all of our enemies, and therefore we must defend ourselves.”

War Crimes

In seeking a military solution, Israel is committing war crimes. Already the Swiss Foreign Ministry has released a statement declaring that Israel has been violating international law in its attacks on the Gaza Strip and the West Bank.

“A number of actions by the Israel Defense Forces in their offensive against the Gaza Strip have violated the principle of proportionality and are to be seen as forms of collective punishment, which is forbidden,” the statement said. “There is no doubt that Israel has not taken the precautions required of it in international law to protect the civilian population and infrastructure.” Although the statement did not mention the 1949 Geneva Convention directly, it is well known that collective punishment is a violation of the Fourth Geneva Convention.

The statement also said, “The arbitrary arrests of a large number of democratically elected representatives of the people and ministers . . . cannot be justified.”

The Palestinian National Authority is drafting a petition to take Israel to the International Court in the Hague over the Gaza air strikes.

Palestinian Justice Minister Ahmed al Khalidi said they are taking action against Israel for “war crimes it committed against the Palestinians.” He said “We have taken legal steps to press charges against Israel with the International Court of Justice. Suing Israel in the International Court is a test for international institutions. If they deny the rights of Palestinians, then the international community has to act responsibly when it comes to blocking the legal channels to the Palestinians, forcing them to use violence to defend ourselves and our people.”

In another statement, the PNA charged, “What is being done against the Palestinian people and its government amount to war crimes which require the intervention of the United Nations.”

June in Russia: A Month of Surprises

by Roman Bessonov

Since his elevation to the Russian Presidency in 1999, Vladimir Putin regularly takes political analysts by surprise. This year it is happening more and more frequently.

For professional political analysts, Putin's decisions in diplomacy, foreign trade, and domestic policy, especially when it comes to personnel assignments, bring on real headaches. Forced to give some plausible explanation of the latest trip abroad, or a new appointment at home, the commentators often invent two or three parallel versions of what might be behind it. Sometimes it turns out that all the explanations were wrong, and the real significance of the event is revealed months, or even years, later.

After a series of such analytic flops, the disgraced domestic and foreign pundits have found an excuse for their own lack of insight: Allegedly, Putin's unpredictability is rooted in his former career in the intelligence service.

This theory is less than convincing. Two previous candidates to succeed Boris Yeltsin as President, Yevgeni Primakov and Sergei Stepashin, also originated from the intelligence community. But their major political moves were fairly predictable. It was impossible to miss, for instance, that Primakov would strike a political alliance with Moscow Mayor Yuri Luzhkov and then-Prosecutor General Yuri Skuratov. The same goes for Stepashin's clumsy flirtation with ex-Premier Victor Chernomyrdin and the latter's U.S. partner, Al Gore, on the eve of both the Russian and the American Presidential elections in 2000.

The disgrace of these contenders for the succession was explained at the time by Yeltsin's suspicious nature. He was presumed to be trying to make sure that his name would not be smeared, and his family would not face problems, after he retired.

Power transitions in Russia historically have been really troublesome. But egocentric fear was not necessarily Yeltsin's sole motive. Persons close to him indicate that the ambitious ex-chief of the Sverdlovsk Committee of the Communist Party of the Soviet Union was less than satisfied with the political place and reputation he had earned, due precisely to the policies of his patrons and sympathizers in the West. Consciously or subconsciously, Yeltsin could have been trying to select a successor, who would not share his weak points; who would be most likely to avoid his mistakes, and to serve as a guarantor not only of his own family interests, but of something larger—what he regarded as the “throne.”

In two years of work as Russia's national security chief, a post he entered by surprise, at the unprecedentedly low rank of colonel, Vladimir Putin had earned the highest confidence. Which of his qualities impressed Yeltsin? This secret has never been revealed in any of the numerous writings of the elder or the younger political careerists, as they attempted to hype their own role in the non-transparent selection of Putin.

In August 1999, informed observers were expecting the replacement of the Prime Minister. Still, none of the renowned specialists in politics and political psychology could explain why precisely Putin was the one who appeared to become Yeltsin's new and last favorite.

None of those specialists ever tried to estimate the real challenge faced by Putin when he inherited the authority to govern, with only two years of experience in a top position, the ambiguous status of being chosen by a very unpopular predecessor, no experience in military affairs, and a great lack of knowledge of national and global economic reality at a time of epochal changes.

Seven years have passed since the Summer of 1999, when Yeltsin resigned, entrusting to Putin the immense burden of responsibility over this huge country, which he received with half-stalled industries, abandoned agriculture, a dysfunctional tax system, and huge gaps in revenue. Social guarantees had collapsed; wage and pension arrears were unpaid in many regions for months or years. Financial oligarchs, well protected at home and abroad, exercised arbitrary rule over parts of the economy. Russia's military and security capabilities were devastated, hardly able to deal with a terrorist insurgency along the strategic southern borders.

It was a complicated mess, where all the fragmented social groups were interwoven in murky connections. The posterity of first post-Soviet Premier Yegor Gaidar's “institutionalist” reforms, along with the later deals between a shaky Kremlin and unbridled *nouveaux riches*, had given birth to powerful clans, involving state officials, businessmen, customs officials, police officers, and gangsters. The control of electronic mass media by the very people who donated money and equipment to armed separatists was just one example. This perversion was described neither in social science textbooks, nor in classified intelligence reports.

Could he improve the situation by focussing on any particular problem, without involving others? In order to re-establish social security, it was necessary to increase revenue. In



Russian Presidential Press and Information Office

President Putin arrives in Shanghai on June 14 for the meeting of the Shanghai Cooperation Organization. The SCO represents far more than a mechanical “counterbalance” to U.S. forays in the region, especially as Putin shows signs of departing from “liberal” free-market dogmas.

order to gain control over the egocentric private interests, one needed to reinforce the government apparatus. In order to combat separatist tendencies, the entire administrative system needed to be completely reorganized.

Could a perverted reality be managed by any ordinary means? A good lesson was the purge in Gazprom, which Putin initiated too soon, too abruptly, and too openly. Before the new team could start its work, half of the natural gas monopoly's assets were siphoned off into private havens, and it took the company over a year to recoup them.

Could Putin rely on his own intelligence community? Since the early 1990s, a lot of qualified officers had resigned from the intelligence bodies, joining banks and corporations, where they could achieve a far higher social status than before. In the depleted ranks of the intelligence community, social, ideological, and moral polarization developed in the same way as among other professionals. But an important peculiar-

ity was that former *chekisty* (intelligence officers, so-called after the early Soviet intelligence organization, the Cheka), hired by the oligarchs, often served with greater devotion than any other managers, and thus achieved the status of strategists for Russia's new billionaires.

Could Putin behave openly and sincerely under these domestic circumstances, with a no less troublesome foreign policy situation? Sometimes it seemed that he would like to, but during his first six years in office, he was unable to.

A Plagiarized Misconception

Putin delivered his latest surprise for the Russian media community on the evening of June 15 in Shanghai, China, in a half-dark room on the 32nd floor of a huge hotel, where the Russian delegation resided during the summit of the Shanghai Cooperation Organization (SCO).

A famous Russian journalist, *Kommersant's* Andrei Kolesnikov, was trying to extract as much information from the President as possible. The more answers he got, the more he was puzzled, as his readers would also be, since they are well educated in the subtle details of everyday Kremlinology, but terribly ignorant of the crucial contradictions in the global economy.

The President was in a good mood, which he explained with one sentence: “We have never had such friendly relations with China.” Putin emphasized the significance of Russia's economic relations with Iran, and the commitment of both countries to cooperate in the Caspian basin and across Asia. On that evening, Russian and foreign mass media were informed about a new transnational project, involving three major countries of the region, and a corporation from the fourth country. The three states, with a very complicated history of relations, were India, Pakistan, and Iran. The corporation was Russia's Gazprom.

For the curious reporters, that was a pretext to raise their favorite issue: the person of Deputy Premier Dmitri Medvedev, chairman of the board of Gazprom, and a graduate of the same Law Faculty of the same Leningrad University as Vladimir Putin. So, is it true that he is the President's preferred successor, while Defense Minister and Deputy Prime Minister Sergei Ivanov, sharing the President's own intelligence background, is his bitter rival?

Surprisingly, the answer followed immediately. Putin explained that the duet of Medvedev and Ivanov, with their special distribution of most important missions in the government, was established at the request of Prime Minister Mikhail Fradkov. “Didn't you know?” he inquired.

On behalf of the journalist team, *Kommersant's* author admits: no, we did not. That idea never entered our minds. Why? Because of the fabulous secrecy of Putin's decision-making, or due to what a Russian author once called “lazy brains”?

Since the 1990s, analysts had interpreted Russian state policy in terms of “balance” and “unbalance.” Such terms

might have been appropriate for Yeltsin's personnel policies, but his successor's thinking and behavior could not be grasped in such a simple way. Yet even six years after Yeltsin's resignation, political experts were unable to apprehend the qualitative differences between his personality and Putin's, noticing a clear contrast only in self-expression and everyday habits. Applying the same mold to the new leader, the expert community missed a most significant distinction: Putin's ability to draw lessons from his own experience.

By the Summer of 2006, when the accumulation of changes displayed itself as a spectacular shift in the character of Russian domestic and foreign policy, the linearly thinking analysts found themselves completely helpless.

How could they recognize this shift, if even the figure of the Prime Minister was viewed by them as a mere "technocrat," without regard for Fradkov's background as trade envoy in India, deputy chairman of the U.S.S.R.'s Foreign Trade Committee and later of the Russian Federation's Foreign Trade Ministry, then head of the Federal Tax Police, and Russia's representative to the European Union? Why was he seen as a "technocrat"? Only because the choice of the new Prime Minister, back in Summer 2004, did not match the artificial division of the establishment into "liberals" and "force figures" (the notorious *siloviki*), introduced by the overrated analyst Gleb Pavlovsky.

This black-and-white pattern was conveniently plagiarized by Western experts, whose own linear thinking missed the simple fact that Pavlovsky's views reflected not reality, but rather an attempt to manipulate this reality by interpreting it. The narrow-mindedness of Western authors, who continued to reproduce this simplistic pattern for half a decade, reflected nothing but the mental heritage of the Cold War. On issues of Russian policy, both domestic and foreign politologists have fallen into the trap of their own constructs.

When the "technical" Premier proposed to divide the Ministry of Economy Development and Trade, this initiative was viewed as a "game" by the *chekisty*. Yet one day later, the President discharged Prosecutor General Vladimir Ustinov, regarded as a key ally of the *chekisty*.

This replacement, naturally, was the next subject of the discussion in that Shanghai hotel room. Again, the President was quite sincere, explaining that Ustinov would get a new appointment, to another top government position. Five days later, his new job was made public: Minister of Justice.

Despite Putin's prompting, not a single expert was able to guess that the apparent demotion of Ustinov did not spell the end of his career. Similarly, none foresaw that ex-Justice Minister Yuri Chaika would be named prosecutor general. What was widely regarded as a power struggle turned out to be a "castling" of two top officials, equally trusted by the Kremlin, for reasons possibly related to the administration of Russia's major state-owned energy-exporting firms. Perhaps Putin will reveal the details in his memoirs, a couple of decades hence.

A Farewell to Curtsies

Putin's Shanghai remarks followed the jubilee summit of the SCO, which includes Russia, China, and four countries of Central Asia. The presence of top political figures from all the strategically important countries of the region, including the Presidents of Iran and Afghanistan, demonstrated that the SCO represents far more than a mechanical "counterbalance" to U.S. forays in the region, as it is traditionally viewed in both Russian and Western media.

This fact was understood at least by *Kommersant's* author, based on his experience at the Tenth International Economic Forum in St. Petersburg, which Putin attended immediately prior to the SCO summit. Writing about First Deputy Prime Minister Medvedev's address to the Forum's international guests, *Kommersant* expressed alarm that Medvedev, widely regarded as Putin's successor, "made not a single curtsy to liberalism."

What was the opposition liberal paper, a formerly respectable business weekly, transformed into a biased political leak sheet since its takeover by Boris Berezovsky, so nervous about?

Medvedev, according to the Pavlovsky scheme, had been regarded as a model "liberal," as opposed to the *siloviki* from the security and military services. Moreover, Medvedev was supposed to represent the "liberal faction" within Gazprom. His St. Petersburg speech shattered this construct.

Secondly, Medvedev dared to address the most painful subject for a Russian liberal: the state of affairs in the global financial community, whose agents of influence had directly shaped the mentality and activity of Russia's first post-Soviet governments. The absence of "curtsies to liberalism" indicated that the relevant Russian institutions and parties are doomed.

Medvedev stated plainly that the global financial system is undergoing a crisis, which will result in a dramatic change in the years immediately ahead. In the context of this warning, which it is hard to imagine his making even one year ago, Medvedev reiterated the idea that the Russian ruble could become one of the world's reserve currencies. Further, he said that Russia, perceived today primarily as a supplier of oil and gas, should elevate its role in the global division of labor. How, exactly? The answer was more than clear: The economic engine for such an elevation is the strategy of creating international infrastructure corridors.

The Iran-India-Pakistan gas pipeline project, discussed two days later in Shanghai, served as a good example of an economic policy, designed for the new era that would begin with the referenced dramatic change in international finances. *Kommersant's* authors should have said more: Medvedev's presentation did not contain any curtsy to the current concept of monocentric globalism; instead, it alluded to the guidelines of a new policy, which really was first formulated by Lyndon LaRouche.

Confirming that the "no-curtsey" approach was not merely



government.ru

Deputy Prime Minister Dmitri Medvedev makes "no curtsies to liberalism."

a spin-off of Medvedev's personal views, Finance Minister Alexei Kudrin suddenly started talking about the Russian economy's need for long-term, low-interest loans to finance strategic investments. Days later, Kudrin agreed for a 25% increase of disbursements from the Federal budget into the government's Investment Fund. Simultaneously, the Finance Ministry initiated a return to a progressive income tax, from the flat-tax system instituted by neo-liberal ideologues some years ago.

International media focussed more on Kudrin's push to make early repayment of the remaining part of Russia's debt to the Paris Club of state-to-state creditors. The proposal was echoed by Putin, who said in St. Petersburg, "By boosting the amount of foreign currency reserves and by repaying a comparable amount of Russia's foreign debt, we have established Russia's economic independence." The goal of national economic independence was made public for the first time in 15 years. The time has arrived, in what the Finance Minister characterized as "a new economic reality." Not more than that, but not less.

For two months prior, liberal papers had been chanting that the Russian leadership would make a number of compromises, in order to please the G-8 countries on the eve of the July 15 summit in St. Petersburg, especially for the purpose of accelerating Russia's leap into the World Trade Organization (WTO). The globalist "fifth column" in the Russian media excitedly quoted John Snow, the former U.S. Treasury Secretary, as foreseeing Russia's possible accession to the WTO before the July summit.

But Medvedev and, later, Economics Minister German Gref both made clear that Russia is in no hurry to join the major institution of economic globalism. Speaking to journalists during the informal media session in Shanghai, Putin put an end to speculation on this issue, pointing out that Russia is not going to accept double standards: "It is hard to negotiate when our colleagues from the United States are raising issues that had been regarded as resolved. As a matter of fact, they

are trying to coordinate our entry not with the rules of the WTO, but with their own national legislation. This is unserious."

Thus it was clear that the "no-curtsy" principle had been chosen by the President himself.

Foreign Minister Sergei Lavrov expressed the same principle in a diplomatic setting, with especially subtle irony. At the June 29 Moscow press conference of G-8 foreign ministers, just hours after being caught on tape needling and harping at Lavrov over Iraq and Iran issues, U.S. Secretary of State Condoleezza Rice gave a particularly inane, condescending account of how she views "democracy" in Russia. Noting that she had first visited Russia in 1979, Rice averred that she had "noticed many changes since then." "What a coincidence," rejoined Lavrov, "1979 was also the year of my own first visit to the United States, and I, too, have noticed many changes, which we shall discuss with the U.S. leadership." Rice was visibly nonplussed.

The Sinking Beacons

"Russia should develop both to the West and the East," declared Medvedev in St. Petersburg. During June the schedule of Russia's President was dominated by diplomacy in the East. He spent five days in Shanghai and Astana, Kazakhstan. Before that remarkable tour, Putin received the chairman of the Organization of the Islamic Conference; after the Asia tour, he held a meeting with the Prime Minister of Turkey.

What the international media calls a "turn toward the East" was predetermined by what happened during the past two decades of Moscow's relations with the Western political and financial community. Two decades ago, the alluring brilliance of the West's prosperity seduced millions of Soviet consumers, including the younger generation of the U.S.S.R.'s elite. While members of what Soviet leader Leonid Brezhnev had declared to be a "new historical community of humans, the Soviet people," were turning toward a new glistening beacon—namely, a Western supermarket—professional anti-Communists triumphantly celebrated the collapse of the "Iron Curtain," viewed as the West's victory in the Cold War.

In that heady time at the end of the 1980s, sober warnings about the West's own imminent decline were neglected. Lyndon LaRouche, the author of the SDI-based concept of mutual scientific progress of the West and the East, was kept away from the public in a prison cell. His imprisonment reflected the profound immorality, which was soon to begin steadily, year after year, converting geopolitical triumph into miserable strategic doom.

The light of the West's globalist beacon faded in the eyes of Russians with every shock-therapy decree; with every lay-off at a newly deserted giant of industry; with every shell that in 1993 struck the charred wall of the freely elected but too disobedient Parliament; with the end of the ex-Soviet national space program; with chilling news from the spreading areas

of irregular warfare, located right along the line of Anglo-American corporations' unbridled appetites.

For the flight-forward ideologues of the globalist world order, the obviously ripening shift in Russian minds served as an argument for more provocation expansion. The new campaign was more a political offensive than an economic one. First came the simultaneous enlargement of the EU and NATO in May 2003. Then, a series of coups d'état along Russia's borders, triumphantly described as "democratic revolutions."

Ironically, this new crusade, instead of inspiring more nations with the advantages of universal democracy, exposed, to an unprecedented extent, the shoddy quality of globalist policies. Most impressive was the example of misfortunate Ukraine, where a successful coup d'état, celebrated in Washington and Brussels, led, in less than a year, to a miserable state of political paralysis.

In Tashkent, Bishkek, and Astana, similar coup plans met stiff resistance, having the net effect of a shrinkage of the Anglo-American military influence in the region, and a boost of strategic cooperation between Moscow and Beijing.

The "colored revolution" design (orange for Ukraine, rose for Georgia, etc.), which was officially declared by George W. Bush as a principal strategy, undermined the economy in the post-Soviet countries where it took hold. With every bloody clash in the devastated Iraq, also officially declared a model democracy, "globalism" and "disaster" were becoming synonyms. The ugliness of the Bush-Cheney "export of democracy" to Iraq, with its too visible underpinning of corporate greed, was the last argument for many Russians who had continued to be enthralled by the beacon of the West.

The continuous alarmist mantra of the international press, focussed on Russia's reluctance to accept allegedly universal globalist values and standards of behavior, sounds today more and more amusing to Russians themselves, especially when their own views are interpreted as the result of *chekist* pressure. Why should the notorious *chekisty* be blamed for the defeat of Russian liberal parties in the Duma elections of 2003? Or, for the alienation of unrecognized breakaway areas in Georgia and Moldavia from their "mother democracies"? Or, finally, for the commitment of Russia's leadership to a stronger partnership with Southeast Asia, where there is the prospect of more promising export markets, as well as joint scientific projects with the emerging economies?

The stupidity of the alarmist arguments, multiplied in the international media in May and June, is viewed in Russia as one more symptom of a progressive paralysis of the globalist concept. The diplomatic agenda of June 2006 confirmed this perception. The fruitful new round of Russian diplomacy with major Asian nations coincided with spectacular displays of disarray in the ranks of the community of "winners of the Cold War."

In June, Italy became the latest European country to decide to withdraw its troops from Iraq. In June, the U.S. President was rebuffed by the Supreme Court over the illegitimate exercise of authority in the Guantanamo penitentiary. In June, a squad of NATO troops, arriving in Feodosia, Crimea (Ukraine), was driven away not by Russian *siloviki*, but by political demonstrations. The picketers condemned the would-be "guardians of democracy," inclusively for undermining the region's income from tourism. NATO's Sea Breeze-2006 maneuvers were stymied.

In June, WTO President Pascal Lamy warned of the possibility of a collapse of the organization, to which Russia is supposed to pay an expensive entry ticket. A debate among the EU, the United States, and the emerging economies of the G-20, lasting for five years, has led into a blind alley.

Will the anticipation of a qualitative change in global policy, expressed in Medvedev's presentation, introduce a new agenda for global trade issues? Will the most powerful states of the world, seeking to prevent the implication of the financial collapse, have enough time and responsibility to develop a new language of dialogue, not based on Cold War stereotypes? By starting his Message to the Federal Assembly, delivered in May, with a quotation from Franklin Delano Roosevelt, Putin sent a clear message also to Washington. Why not start the revision of the global economic affairs with the equally critical problems of Russian agricultural workers and American farmers?

A Railroad, a Highway, and a Sun

The doom of respectable global institutions has touched off hysterics in the Russian liberal media. Like their counterparts in the West, they launched a campaign against the Kremlin on the eve of the G-8 summit, energetically hyping its importance, while even more enthusiastically predicting its failure. At first, the professed skeptics trumpeted in unison that President Bush would boycott the event. This scenario was retailed many times, before Condoleezza Rice announced that Bush is still coming to St. Petersburg.

Other pessimistic remarks focussed on Russia's unequal status in the G-8. Readers were told that probably Russia's finance minister would be not invited to the strategic discussion of global financial affairs. When all the ministers still arrived in St. Petersburg, and listened to Russia's top state financial officials attentively, the skeptics then forecast a failure of Russian-German financial negotiations. After this pessimistic forecast also burst, observers predicted a collapse of Russia's talks with the Paris Club.

Still, on June 29, the Paris Club agreed to accept Russia's early repayment of its remaining \$22.3 billion Paris Club debt. The following day, the Russian government removed all capital transfer restrictions, making the Russian ruble officially fully convertible. The same liberal authors who used to promote the ruble's convertibility, now raise doubts about the danger of too great an influx of foreign capital, as well as



Russian Ministry of Transport

Highway construction in Russia. The government's new Investment Fund is designed for domestic investment in large-scale projects.

the possibility that, in the event of a collapse of oil prices, a convertible ruble would ruin the economy.

Meanwhile, the Finance Minister announces his decision to convey over \$5 billion, economized due to the early Paris Club repayment, to the government's Investment Fund, designed for domestic investments in large-scale projects. On the same day, the President discusses the investment policy with leaders of the United Russia Party. The discussion is focussed on highway infrastructure as a fundamental factor for the national economy.

On June 14 Sergei Kiriyenko, former co-chairman of the liberal Union of Right Alliance, travels, in his new capacity as chairman of the Federal nuclear energy agency, to Severodvinsk, the once-famous nuclear-submarine-building center. He announces a unique project of floating nuclear power plants, also usable for desalination of sea water, which are going to be produced both for domestic needs and for export. The design belongs to the St. Petersburg-based Atomenergo-proyekt Institute.

The most impressive scientific presentation of the month was also made in the President's native city, St. Petersburg. On the first day of the International Economic Forum, the

annual Global Energy Prize was presented to an international team, involved in the project of the International Thermonuclear Experimental Reactor (ITER). The prize was awarded to Yevgeni Velikhov, president of the Kurchatov Center and chairman of Russia's Public Chamber; to Robert Aymar, general director of the European Nuclear Research Center (CERN); and to Masaji Yoshikawa, a director of Japan's Thermonuclear Research Council.

In his speech, Academician Velikhov recalled that the project to build a "man-made sun" was started in the U.S.S.R., which proposed to unify the efforts of four major international programs on controlled thermonuclear fusion: those of the Soviet Union, the U.S.A., Europe, and Japan. The feasibility study was completed, however, only in 2001. Four years later, the parties agreed to choose the Cadarache Nuclear Center, France, as the site for construction of the reactor. Months later, the project was joined by India.

Beware the Loft!

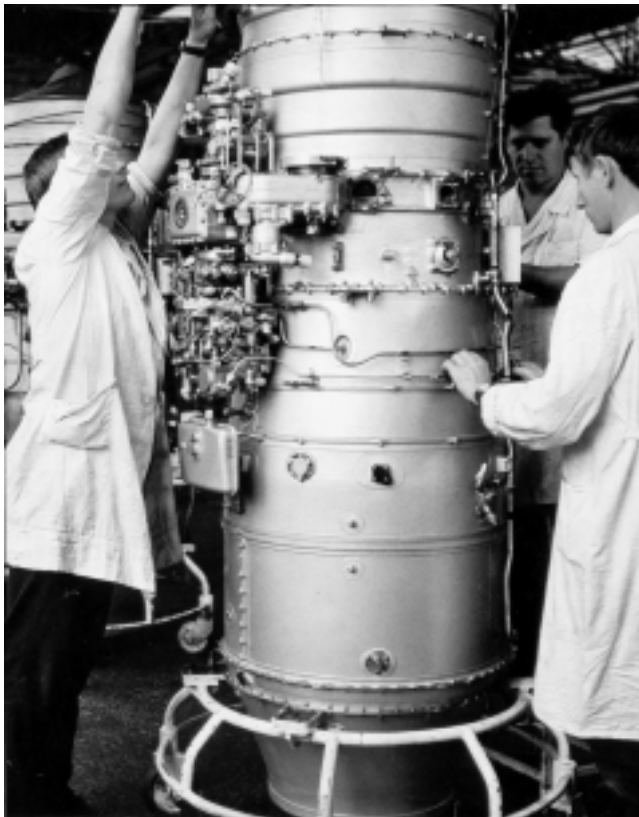
Ridiculing the new wave of "Russophobia," pouring from the pages of American papers on the eve of the G-8 summit, London *Guardian* author Jonathan Steele explained this hysterical chorus in terms of the U.S. neo-cons' rage over Russia's increasing independence in economic and political affairs. Steele characterized Dick Cheney's April tirade against Russia, delivered in Vilnius, Lithuania, as the most arrogant attack on Russia since 1991, illustrating Cheney's hypocrisy by citing his exceptionally friendly treatment of Kazakhstan—where he was about to seek economic concessions. Kazakhstan President Nursultan Nazarbayev signed a commitment to supply oil to the Americans' favorite pipeline project, from Baku, Azerbaijan to Ceyhan, Turkey.

Putin appeared unperturbed by Nazarbayev's concession to Cheney. Simple calculations suggest an additional 3 million tons of crude annually will not change the weather above the Caspian. For Kazakhstan, participation in Russia's space program is more important than the export of oil, which it exports not only northward (to Russia) and westward (for Baku-Ceyhan), but, most of all, to China in the East.

In June, the Russian audience learned from a respectable U.S. author that Bush's White House has cooked one more pancake: a project for Ukraine's "express" entry into NATO. A similar pancake, according to informed private sources, is being cooked in Armenia, involving a "peacekeeping" siege of the unrecognized Karabakh Republic, and a "humanitarian" control of this republic's border with Iran. The character of the preparations, especially in Armenia, indicates that the most vicious options, involving U.S. military force, cannot be ruled out.

Even such a strong critic of Russia's policies as Nikolay Zlobin of the World Security Institute says in a recent interview with the Polit.ru website, "The United States often doesn't understand what it is doing."

Harvard's Kenneth Rogoff points out that Putin might



Aircraft construction during the Soviet period. Reviving transport and other infrastructure must become a top priority for the Russian government.

well be envied by every other G-8 leader, since he is the only one of them who could be re-elected, if he wishes, tomorrow. The point is well taken. It could be added that Washington's preferred alternative to Putin, former Prime Minister Mikhail Kasyanov, is, by contrast, the most colorless "colored revolution" stooge ever contemplated. And his greatest blunder was not the hasty purchase of a country house on his last day in office, but his public statements in support of the business oligarchs.

Openly, Vladimir Putin declared only once, at the start of his first Presidential term, that "the oligarchs should be kept equally distant" from state power. This remark was later ridiculed, as not all of the tycoons were distanced at the same moment.

Today, however, it is quite obvious that the leading role in the Russian economy has been acquired by state-dominated corporations and banks, while the previously dominant privately owned oligarchical groups are now unable to dictate their will to the state, or to privatize Russia's foreign policy.

Today, international financial institutions no longer dictate Russia's budget policy. Not only the Federal authorities, but also Russia's regions are refusing to borrow from the World Bank. Numerous foreign non-governmental organiza-

tions (NGOs), which freely operated in the country in Yeltsin's time, are now forced either to comply with newly adopted legislative restrictions, or to curtail their activity in Russia.

Today, persons in the government who had earned their reputations as free-market liberals, are displaying a shift in the direction of dirigist economic policies. Meanwhile, libertarian blockheads, typified by von Hayekian professor Yevgeni Yasin and ex-Presidential Advisor Andrei Illarionov, are alienated from policy-making.

The preparations for this change required a long time, great patience, personal courage, and a high level of privacy in decision-making. June 2006 was a month of surprises, unravelling one after another.

Take Finance Minister Kudrin's exclamation that "Russia will no longer stand with an outstretched hand!" Or, Medvedev's promotion of the ruble as a world reserve currency. And Gazprom's rapid-fire move into numerous European markets, with new export agreements.

Or, the surprise initiatives of Russia's Nuclear Energy Agency, echoed by Defense Minister Ivanov's surprise directive, announced in St. Petersburg, that 90% of Russia's military production should involve dual-use technologies.

A strategic shift, equally in political, economic, foreign, and public affairs, is quite evident. This does not mean that it is irreversible. The recent example of Ukraine, where the first economic results of Victor Yanukovich's government were buried by the postmodernist coup d'état, labeled a "revolution," at the end of 2004, exemplifies the fragility of a political construction, in which the leader who has some progressive intentions is separated from the people by a formidable barrier, such as the powerful parasitic class, rooted back in the late Soviet period, to which most of today's criminal groups owe their rise.

"Do you enjoy visiting your native city?" a journalist asked Putin in Shanghai. Again, Putin was unusually sincere. "I'd like to," he said. "But in my native city, I am also surrounded by bodyguards."

On June 29, just two weeks before the G-8 summit, the St. Petersburg police discovered a cache of weapons in the loft of a house on Moskovsky Prospect, facing the official delegations' motorcade route. Similar preparations were made by unidentified persons in September 2004, when the President was going to arrive in St. Petersburg with Yanukovich. Half a year before, Russian and Israeli intelligence sources warned the Kremlin about an assassination attempt, designed by one of the most arrogant emigré oligarchs: The idea was to make the colorless Prime Minister acting President, and then parachute him into the Russian "throne."

Many times in Russian, American, and European history, promising intentions of general benefit have been reversed by means of the physical extermination of those who dared to express them aloud. Putin's manner of secret decision-making, followed by surprise moves, is well substantiated.

Political Change in Russia and Prospects for a New Bretton Woods

In last week's *EIR*, we published a first report on our international seminar in Berlin on June 27, which was titled, "For a New Bretton Woods System." We included the keynote speech by Lyndon H. LaRouche, Jr. ("We Need a New Bretton Woods To Defeat the Evil of Globalization"), and presentations by Dr. Clifford Kiracofe ("The U.S.A.: Fascism Past and Present"), Jeffrey Steinberg ("We Can Beat Rohatyn and the Synarchists"), and Helga Zepp-LaRouche ("Stop the Synarchist Takeover in Berlin"), as well as Lyndon LaRouche's remarks to members of his youth movement on June 28, "On the Subject of Truth."

About 40 LaRouche activists attended, along with 70 guests, including senior politicians and scientists from Russia, Poland, the Czech Republic, and Slovakia.

We continue here with the presentations by three Russian analysts: economist Dr. Stanislav Menshikov; physician and writer Dr. Konstantin Cheremnykh; and economist Prof. Andrei Kobyakov of Moscow State University. Other speeches will be published as they become available.

Dr. Stanislav Menshikov

Good News and Bad News From Russia

Dr. Menshikov, a Russian economist, spoke during the afternoon session of the seminar, which was moderated by Dr. Jonathan Tennenbaum.

I want to tell you about some recent developments in Russia, that pertain to the discussion that we had this morning about currency, about the New Bretton Woods and so on. And I must tell you that everything that comes from Russia is always a combination of a good news story and a bad news story.

Now, I'll start with a good news story. I think maybe in the West very few people noticed a statement made by the First Deputy Prime Minister of Russia, Dmitri Medvedev—who might be the next President of Russia, by the way. He's

one of the men that Mr. Putin has picked for succession. Not necessarily will he be the President, but he's one of the men that are being watched.

And so, a couple of weeks ago, at an economic forum in St. Petersburg, Mr. Medvedev made a very important statement about the world economy. There are things there that I, as usual, disagree with, but there are things that I agree with. One of the things I thought very important, and want to call your attention to, is the fact that he says that we, if we go along, integrating into the world economy—and that's the term he used, "we want to integrate into the world economy"—but, if we want to integrate, we can't go on with the monetary system that exists now, because it is based on a system that has too big fluctuations in exchange rates. He didn't say exactly that he wanted to have fixed exchange rates. But I think that that was a very important statement, showing that the Russian government is coming to the point when they realize that reform in the monetary system is needed. And if they had thought about this before, they may have put this as an important point on the agenda of the G-8 meeting that is going to happen in St. Petersburg in July.

But they haven't thought of it, and instead of that, they put other points. Well, maybe if we work on it further, all of those who are in favor of this reform, of the New Bretton Woods, we may convince the government, the Russian government, to start proposing this officially. And that is very important, because now LaRouche and his followers in the United States can know that they have supporters, official supporters in Russia. It's not just a bunch of professors who are saying that. It is one of the top government officials in Russia, who may become the President of Russia, the next President of Russia. And we should, as the Russians say, "catch him on his word." Catch him on his word and try to develop this idea, and support him in that idea. Because that is really something that brings them closer to this Bretton Woods system. Of course, he may not even know about this reform, in that detail, but I think that is a good news story.

Currency Reform

Well, there are other kinds of stories, which I don't know how to qualify, whether they are good news or bad news, but also about our currency. What Medvedev also said, was that



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Dr. Stanislav Menshikov: "Maybe if we work on it further, all of those who are in favor of this reform, of the New Bretton Woods, we may convince the Russian government to start proposing this officially."

he wants the ruble to become one of the reserve currencies in the world. It is not a reserve currency yet, he said, but we want to make it a reserve currency. And the way to make it a reserve currency—and Putin said the same thing on other occasions—is to make those who want to buy things in Russia, pay rubles for them, instead of paying dollars for them, or euros for them. And what they already have started with, is creating an additional commodity exchange in Moscow, where you can buy, or where foreign companies can buy, oil for rubles.

Well, they don't suppose that the big companies will start selling oil on that market, I mean big Russian companies. But as far as the independent producers of oil in Russia go—and they constitute maybe up to 20% of the total production of oil, of petroleum [products] and oil—they have an outlet here. They don't have to go to Europe to sell their oil, or to the United States. What they can do is to sell that oil at a Moscow commodity exchange, for rubles.

Will that plan work? Is that a beginning of creating a ruble as a reserve currency? I don't know. This is what I call "the big question-mark story." But it is an interesting step in the direction that the Professor [Wilhelm Hankel] this morning was telling us about, this new mixed-currency space, in which the ruble may participate, *if* it becomes sufficiently important as a reserve currency. I remind you that Mr. [Sergei] Glazyev

said something of the same kind a year ago, but at that time, we all thought it was kind of a strange proposal, probably an unrealistic proposal. But a year has passed; things are changing fast.

A year has passed, and here you have the government of Russia talking about making the ruble a reserve currency. Of course, if it is a reserve currency, it has to be fixed to the dollar and to the other currencies in the world, otherwise it will be another one of those widely oscillating currencies which don't suit this work, at all.

At the same time, the Russian government is pursuing a kind of strange currency policy. It's changing the rate of the ruble to the dollar every day. Every day, they quote the dollar/ruble exchange rate, and if you watch the oscillations in that rate, they're larger even than the oscillations of the dollar against the euro. Why they do it, I have no idea, but this is some crazy idea of our central bankers, probably.

There are also monetarists in that bank, associated with the government, who think that if they raise the rate of the ruble towards the dollar, that will help them beat inflation inside Russia. Well, theoretically, you can think that this is possible by bringing down import prices, which are an important component of the whole price determination mechanism in Russia. However, while that is true, the idea—they keep repeating that—the idea that the ruble is becoming higher in value as against the dollar, I think is a stupid idea, because inflation in Russia is in the area of 9-10 or 11%, while inflation in the United States is what? As I heard here, about 3%, or what? Is that true?

Lyndon LaRouche: [off mike, paraphrased] It's hard to say. These are official figures.

Menshikov: Well, there are official figures, unofficial figures, but at least it's much lower than in Russia. And if it's lower than in Russia, I can't understand why the ruble is appreciating towards the dollar. I think, this is not really possible. So, that's a kind of a bad news story.

LaRouche: The problem is, it's appreciating because the primary materials prices are being speculatively increased, where other commodities are not.

Menshikov: Well, maybe it's a kind of a speculative effect, but anyhow it's part of the bad story.

The 'Stabilization Fund'

Now, point #2 that I want to contribute to: and that is, because the balance of payments of Russia has been positive continuously for the last few years, because of high oil prices or high gas prices, we're having a surplus that is being accumulated as a reserve. Not only as a currency reserve. Our currency reserve is already \$200 billion. It's more than \$200 billion and it's approaching, though still far away from them, the Chinese, the Koreans, and the Japanese. But we're becoming one of the largest currency-reserve countries of the world.

But, besides that, the government is accumulating what

it calls a Stabilization Fund. The Stabilization Fund, these petrodollars that are not being used inside the country, are being kept in reserve, in case the price of oil falls suddenly. Now the government has been criticized for doing that, for not spending even part of that Stabilization Fund—and the amount of that fund has now exceeded \$70 billion, and using even part of it, would be an important contribution to capital investment inside Russia, which is lagging behind and keeping the country from developing faster.

So that's the bad news story. The government is clinging to that, and somebody has convinced the President that he shouldn't spend any single ruble from that Stabilization Fund, inside the country. Spend it only for paying the debt to the Paris Club; spend it for covering the debts of Russia and the former Soviet Union. But don't spend it for internal purposes, because this allegedly will bring along more inflation. This idea, the crazy idea of the direct relation of government spending with inflation—whatever you spend it for, it creates inflation, as if every ruble spent inside the country creates price increases.

Well, I'm not going to go into a polemic about this infla-

tion theory, but, the good news story is that the government is kind of receding on that point—but without recognizing that it has made an error before. It is doing two things at the same time: Thing #1, is clinging to the same Stabilization Fund, but investing it into foreign securities. Foreign securities: 40% into dollar securities, 40% into euro securities, and the other 20% into pound-sterling securities. The big question here, is if you are investing in foreign securities, why don't you invest in Russian securities? Why don't you invest it in capital investment inside Russia? And if your foreign securities give you 5%, or 6%, or even 7%, why don't you invest in—and there are possibilities of investing in Russian firms that will pay you 12%!

Tennenbaum: Which is so-called “sterilization.”

Menshikov: I know they call it sterilization! But they also say that any money you give to Russian businessmen will be stolen! But if you give it to a businessman who pays you back money in time, and pays you 12% per annum—what he does with that money is his business, but the fact is, he will give this money back to the government and the government will receive a higher return. It's better than

Stanislav Menshikov

The economist Professor Stanislav Menshikov is one of Russia's leading experts on the United States, as well as on Russia's own economy. He is able to draw on over half a century of research and experience in both countries. After teaching at the Moscow Institute of International Relations in the 1950s, Dr. Menshikov worked at the Institute of World Economy and International Relations (IMEMO) of the Soviet Academy of Sciences, and the Institute of Economics and Industrial Organisation, which is affiliated with the Siberian branch of the Academy of Sciences. He has also taught at Moscow State University, Novosibirsk State University, Tinbergen Institute and Erasmus University in Rotterdam, and the University of Aalborg, Denmark. Since 1997 he has been co-chairman of ECAAR-Russia, the Russian branch of Economists Allied Against the Arms Race.

The books Prof. Menshikov wrote about the American economy, and U.S. political tendencies and factions, provided a highly differentiated picture that was unusual for the Cold War period in which they appeared. Among them were *U.S. Corporations in World Markets* (1958) and *Millionaires and Managers* (1966). Toward the end of the Soviet period, the book *Capitalism, Communism, Coexistence* (1988) appeared, comprising a series of conversa-

tions between Professor Menshikov and his longtime friend and professional associate, the late Prof. John Kenneth Galbraith.

During the past decade and a half, Dr. Menshikov has turned his keen eye to developments within Russia, and its relationship with the globalized economy, in *Catastrophe or Catharsis? The Soviet Economy Today* (1990, 1991), and *The Russian Economy: Practical and Theoretical Aspects of Transition to a Market Economy* (1996). His columns in the *Moscow Tribune* and *Slovo* weekly are read eagerly by people in many countries who want to understand what is happening in Russia.

Professor Menshikov's major study, *The Anatomy of Russian Capitalism*, came out in Russian in May 2004. It explores the conflict, within the Russian economy and the country's politics, between the interests of the state, and Russia's citizens, and those of the industrial and financial oligarchy that formed rapidly during the 1990s. The author not only dissects the economic structures that emerged from the first period of “wild” privatization, but he goes on to explore optimistic possibilities for “the transformation of the state sector into the main engine of growth in the Russian economy, countering the stagnation brought on by the oligarchical form of organization,” as he puts it in his Introduction to the forthcoming English edition. That English translation of *The Anatomy of Russian Capitalism*, updated to include the dramatic reconfiguration of control over the Russian economy during 2005-06, is in preparation for early publication by *EIR*.—Rachel Douglas

investing it into foreign securities.

That's part of the story. Then, suddenly out of the blue sky appears what they call an "Investment Fund." Which is the same petrodollars, but they're put in a different fund with a different name. And that, you can spend inside Russia. Nobody objects to that. And already they are working on putting that money into road construction, highway construction between Moscow and Leningrad [sic], Leningrad and Helsinki, maybe other highways, also. Into building a new chemical factory somewhere for some purpose; into a capital project for building up industry in the lower part of the Angara River, where the new big Boguchan electric dam is being created. It was started during the Soviet time, and then *stopped*, when Yeltsin came to power. And now, suddenly, the government has found money to invest into that dam. I mean, it will give the money to private interests that will do it. But that's a rational way of doing it. Nobody's telling the government to just go out and spend it. Give it as a long-term credit, a long-term loan to private interests, and they will do the job for you.

So this is already a good-news story on that point.

Transnational Operations

Point #3. First was currency; second, Stabilization/Investment Fund. Number 3 is, if you look at Russian industry, you will find that it is going transnational these days. And that's a new development. I mean, a year ago we wouldn't have talked about that. Even half a year, in December, I wouldn't be talking about that. Well, you could see some signs of it.

Gazprom is going transnational, not only in the sense that it is building new pipelines into the West. Not only that, but it is going transnational—not only in the sense that it concluded contracts with Japan and China to build pipelines going *east*, not just west, but east from Siberia. But also, Gazprom is proposing to buy gas-distributing companies in some of the Western countries. It has suggested to do that in Britain; it has already done the same, I think, in Denmark; it is suggesting to do the same in the Netherlands. It is trying to get into the distribution system in Western Europe to control part of that distribution system. That's Gazprom.

Now, that is creating a *fuss* in the West. Particularly, for some reason from the United States. Condoleezza Rice, on her visit to Greece, was trying to talk the Greek government out of supporting contracts to build pipelines from Turkey, to Greece, through Greece, to Hungary, and then over to Western Europe. Gazprom has already built this so-called Blue Stream pipeline under the Black Sea to Turkey. This is a way to transport gas to Western Europe, and it needs that gas—around Ukraine. Why around Ukraine? Because in Ukraine, the U.S., the Bush Administration, has subsidized the Orange Revolution, which continues—the government of that Orange Revolution is continuously creating difficulties for transportation of the gas through that country.

Now, we are also building, Gazprom is building another pipeline under the Baltic Sea, which is to go to Germany. I think on the way, it also has to go to Poland. Then it goes along on the way to Netherlands, and it goes finally to Britain. So, again, here, you hear clamors about Gazprom getting "tight control" over Western Europe, and Putin always answers to that, who is controlling whom, after all? Is it we who are controlling Europe, or is Europe controlling our gas supplies?

So, there you have Gazprom actually going international. Other firms are going international, that is, physically going international so to speak, through selling things. But the other way, is that Gazprom is selling close to half of its stock in the open market. For the first time, in many years, they have made an "IPO." This is the first time they are selling stock directly to foreigners. As a result, the market capitalization of Gazprom has increased nearly three or four times in the last few months. And it has become one of the largest companies in the world, in terms of market capitalization.

Other companies of Russia are following the same example. Rosneft, one of the largest companies, which used to belong to the government, is now selling close to 50% of its stock, again, in world markets.

Again, you hear from the West a lot of stories about, "Is it moral to buy that stock from those companies? After all, they're controlled by the government, and that means that the government will introduce political motives into business." And that's a kind of combination of politics in business that the Free World does not accept. Well, after all, it's their business. They want to buy that stock and become rich, or *richer*, that's their business. But here, you don't see much opposition.

A Political Dimension

Another kind of transnationalization, is the recent story when one of the biggest Russian steel companies, called Severstal, which translates as "Northern Steel," has suggested to buy 33% of the stock of one of the largest European companies, a Luxembourg-based company, Arcelor. And the Indian magnate, the Indian tycoon Mittal, also wanted to buy that company and he suggested the same—which Arcelor rejected at first, and set a contract with the Russian Northern Steel, Severstal. The deal, so to speak, the deal was sealed.

However, last Sunday, the day before yesterday, the Arcelor directors were collected in Luxembourg. Every one of those directors came in with a chauffeur-driven limousine, except for the Prince of the Netherlands, who was driving his own car. Why? He was one of the directors of that company. And he was totally in favor of the Russian deal. However, they sat there for a few hours, and they finally convinced him—I don't know, maybe suggested to him money, I don't know. Did they buy the Prince, or what? But then, suddenly without even hearing new suggestions

by the Russians, they agreed to merge into the Mittal steel, the Indian steel.

Well, that's okay. That's business, you know. You can't buy a company, fine. Somebody else buys the company. But there are two points here, I want to underline: The first point is, who was behind Mittal steel, who was promoting all these people, who, in Europe, were voting against the Russian company and in favor of the Indian company? Who are these "Indian-lovers"? The bank that is behind that is Goldman Sachs, again. That's the same Wall Street situation. It's not Lazard Frères, it's not somebody else, but it is another of those Wall Street companies that is working against Russia. Why in this case? Why did they so much support Mittal? Who is now becoming the largest steel producer in the world? Ten percent of steel production will be now in this combined company. Why is that?

Well, one reason I think, is, that they do not want Russia to profit by using modern technology, modern steel-production technology that is used by Arcelor. I think that's the reason. I don't think there's any other reason. Why should they be afraid of Severstal becoming an owner of 33% of the whole company, while now they're giving 49% to Mr. Mittal?

So, here again, you have this transnationalization, and the fight against that transnationalization when the question of transfer of technology is concerned. And physical transfer is concerned. And practically no objections, when buying stock is concerned—so when you buy something for speculation, then it's okay.

The bad news story, is that I suspect that all these IPOs will make the Russian stock market additionally dependent on Western influences in the stock market, and undermine financial stability in Russia, and also in the emerging countries, in other countries that are connected financially to Russia.

Eurasian Cooperation

And the final point: In the last issue of *Foreign Affairs*, there's an article by an executive from the Carnegie Foundation, who happened to be a Russian by nationality. His main thesis is, that we have to concede—he says, "we" (he's writing from the American point of view)—"we have to concede that America has failed to integrate Russia into its system of the world economy." That may be a bad story for the United States. Then he says, well, we shouldn't make a Cold War out of that fact—which is a good story.

But also, the other story is, that suddenly, we should realize that Russia is creating its own kind of organized part of the world economy, and that is what we are talking about now, about the Shanghai Cooperation Organization, what you call the SCO. Which is not only a political organization: It is *also* a political organization, but it is also an economic organization. And I remember one of your seminars a few

years ago, when there was a big Chinese delegation—that was way down, somewhere in south Germany. And we talked to them, and we were talking about this triangle, that, at that time, Yevgeni Primakov suggested, a triangle: Russia-China-India. And they were very cautious about this, the Chinese said. There were various reasons for that—relations with India were not too good at that time. But the main thing, they said, "We don't want to antagonize the United States. We'll wait for a while, until we become stronger, and then we will move ahead."

What they are doing now, is, you know, in that organization, its members include China—apart from Russia and the Central Asian Republics of the former Soviet Union, which are, of course, Kazakstan, Uzbekistan, and others. And beside them, the Shanghai Organization includes China, it includes India, it includes Pakistan; it has a representative from Afghanistan. And, it has an observer—Iran as an observer. Iran is an observer.

And the President of Iran went to the last Shanghai conference, and there, talking to Putin, he suggested an interesting thing economically: He suggested to work together with Russia, in terms of selling gas. Because, look, Iran is the second largest producer of gas in the world; Russia is the first largest producer of gas in the world. If we combine, he says, we can control the market—to a certain extent, of course, not fully. But they can control the market. (Maybe some of you are scared of this situation: two potentially nuclear countries, Iran and Russia—I don't think Iran will ever become a nuclear country, but still, controlling between them a large part of the gas market.) But he suggested that.

We don't know whether Putin will agree. But at least, I think he agreed to cooperate in building this new Iranian pipeline that would go to India, through Pakistan to India; and perhaps through Afghanistan, also, I don't know.

I think the Americans, again were not very happy with that.

LaRouche: No.

Menshikov: I can't see why they weren't happy with Iran selling gas to India. Quite frankly, I don't understand. They're happy with India buying a big chunk of European steel, and unhappy with sales of gas from Iran to India.

But anyhow, here you have a new organization, with big countries, with big ideas.

An incident happened during a previous visit by Mr. Putin to Shanghai, which I just want to mention, and then conclude with that. It was a very friendly meeting between Putin and the leaders of China. But there was one incident: Putin said, "Look we suggested to sell you some equipment, industrial equipment, and you said, 'No, we won't buy your equipment; instead, we're going to buy some Western equipment.' " And he said, "Why is that? You're only buying oil from us; you're only buying gas from us. You're looking at us as suppliers of raw materials, and not looking at us as suppliers of highly

developed industrial product.” And the leader of China replied very simply: He said, “Look, if you have the best product, we’ll buy from you. But your product is not as good as that Western product. So, you’d better make a better product, then we’ll buy from you!”

And I don’t know what Putin thought about this. Maybe he didn’t like that. But on coming back, probably he also thought that “this is a signal: We should invest more into our own machine-building industry, into our own industrial equipment industry. Because we are lagging behind in a way that we can’t supply China any more. We’re losing that market in China. So, maybe China, which has gone so far that it doesn’t need Russian equipment, because it considers it backward, will become a factor in promoting a more reasonable development of the lopsided Russian industry, which is really developing oil and gas, and not developing the machine-building and the other manufacturing industries that we should develop.”

So, these are some of the new things that happen in Russia. And I wanted to conclude with that. Thank you for being interested in that.

Tennenbaum: Thank you.

[To LaRouche:] Do you want to say something?

The Strategic Game

LaRouche: I’d just say one thing on this. Well, I think there are many things to be said about Professor Menshikov’s report on various interesting developments, but the key thing to realize is that the game right now, is a strategic game. And the game is what the Rohatyn thing typifies: Is that you have a movement of a certain group of international bankers—who called it “globalization”—who are determined to set up a world empire, in which governments become merely (if they exist at all) auxiliaries of international financial control.

You have to look at, most prominently, the fact that the takeover of military functions, away from the professional military by private military organizations, as we’re seeing in Iraq, is the intention, and has been the intention, since 1991, of a force inside the United States and Britain. And what’s intended is that Russia shall not survive as an independent force, and China shall not survive as an independent force. And these peculiarities that you refer to, are, apart from reflections of problems inside Russia itself, but they’re reflections, chiefly, of the fact that there’s a game in town, which is this strategic game. Which I’m very well aware of, and I don’t think civilization would survive for a couple of generations to come, unless we stop this game. We have to beat it, *now*. And it’s going to take some thinking and clarity of mind on some people’s part, to decide, we’re going to join together and stop this game. We’re going to kill it. We have to.

Dr. Konstantin Chermnykh

Don’t Believe the Media Line on Russia

Dr. Chermnykh is a physician and writer from St. Petersburg, Russia.

About ten years ago, I was very interested by Lyn’s [Lyndon LaRouche’s] definition of history as a precise science, not humanitarian, but precise, like mathematics or physics. Because it’s dealing with truth, and not fantasy. Fantasy is something which often walks around truth, and usually is used to make it more difficult for people to reach it.

And as in any kind of precise science, mechanical or linear judgments don’t help to find the truth. And very often we are presented with such types of simple, linear conclusions. For instance, when the leader of my country decides to appoint, or discharge some official, and appoint another, immediately in the mass media you have a lot of explanations, and usually the explanation is that he’s going to fix a balance. So the balance was changed in some way, as if it was scales. And he’s now taking one weight and putting it on the balance. But that’s a very mechanical interpretation. And eventually this interpretation doesn’t lead to truth. In several days, when he makes the appointment, or for instance, the last one with the general prosecutor, the person who was appointed was never anticipated by the press. Not a single paper could forecast this person.

Or another case: In Russian papers, very often in many so-called economic and political journals, you find this kind of picture: “This is the U.S. and this is the European Union. These are two opponents, rivals,” and so on and so forth. And the versions are, that Russia has to, for example, play together with the EU against the United States, or stay somewhere apart from both, and look at one of them weakening another. Or something like this.

But a couple of days before I came here, I talked with my friend from Armenia. And what he told me was not very pleasant to hear, because, I mean, all those who are here are humanistic people, and we don’t want war anywhere. But my friend from Armenia has a perfect feeling that what is happening there now, is one step towards a war in Iran, and that the political operations taking place there are associated with the plans for an attack on Iran. For instance, to take control of the border between Armenia and Iran with NATO troops, and to introduce so-called peacekeeping authority along the border of Karabakh.

But what puzzled me immediately, when he said this, what was most interesting, is that he said there are two candi-



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Dr. Konstantin Cherenmykh: "A revival of thinking in the Russian government . . . started when, in one of his speeches, Vladimir Putin referred to the example of Franklin Delano Roosevelt."

dates for the President of Armenia. And in the context of what I just described, both of these candidates are being quoted by various politicians from outside.

"From which countries?" I asked.

He said, "From the United States and France."

I said, "Maybe one from the United States, another from France—"

"No! Both have connections in France, and the United States."

This goes back to what Lyn was saying in his keynote speech.

One more detail: that earlier, one of these candidates went to the United States to meet with Zbigniew Brzezinski and other persons like that, and he was introduced to a big diamond trader, who operated on the international level—who is neither a citizen of France, nor the U.S., but is influential on a global level.

A Criminal Economy

Now, I refer to what Professor [Wilhelm] Hankel said today, on the question of whether the global economy presently exists as a phenomenon. I believe it does. There is precisely a kind of global economy which exists: It is a criminal economy. It is the economy which has several layers and several specific spheres of business which operate with huge, immense amounts of money, and the more the modern financial system degenerates, the more money there is that operates in the shadow sphere, on the global level. And starting from

such transactions as illegal warfare, and ending up with all kinds of entertainment undertakings in other parts of the world, and in the richest countries of the West. And the more money that is involved in this sphere, the more the corresponding non-productive spheres of human activity are expanded.

To my mind, that's very important for understanding the situation in which the political leaders of countries find themselves when they want to make some kind of change. In Russia, in the early 1990s, as well as in the countries of Eastern Europe, the governments didn't rule. The real power belonged to organized crime, and this is well-known from a lot of books, and evidence, and so on. At the time, in 1990, Russia didn't have even a central tax authority! Not to speak of tax police and so on. It was a period when there was no rule, laws didn't function. Even in the formal sense, it didn't function.

Obstacles to Real Reform

So now, why am I speaking about this? Because, in Russia especially, it is very hard—so there is good news, and bad news—it's very hard to make a transition from intention, to the implementation of some kind of plan. So for instance, if you take this North European Gas Pipeline, I was present at the first discussion of this project; it was in Autumn 2001. And there has only now been an agreement for its construction; it doesn't exist yet. Before that, there were various versions of these gas routes. One of them was through Poland; it was discussed with the previous Polish government. And it's not the fault—well, it is not only the fault of the Russian side that it was not implemented.

So it's not so easy, you see. With respect to the change in the position of the government of Russia, a change of policy, the question is, is it really happening or not? Probably you know that the elections in Russia will take place in the year 2008. So it is not the pre-election period. So, many of the things which are made public right now, can't be regarded as just something populist.

And on the other hand, when people speak of the same Mr. Medvedev, what, to my mind, was the most important thing he said? He spoke about infrastructure corridors. The Minister of Finance, who until that time was thought to be a classical free-trade economist, said that it is necessary to introduce long-term credits with a low interest rate—he made several such credits. And Russian Finance Minister Aleksei Kudrin also said that it is high time to replace the flat tax, introduced several years earlier, to a progressive tax. That's very important.

There also was a statement by the Minister of Defense, who said that we need to use the potential of Russian military industry for dual-use technologies, which can be used by both the military and the civilian economy. That was also a new development in Russian policy.

So, over the past month, it was a real revelation. For the Russians especially, the thinking Russians, the engineers,

especially for the technical intelligentsia, who had been waiting for such words from its leadership for many years. In the year 2000, Vladimir Putin was inaugurated for the first time, and there was a certain enthusiasm in the same circles of the technical intelligentsia, who hoped that a change would happen immediately. And this enthusiasm was so high, that two major industrial projects which at that time had been stalled—the construction of the Rostov nuclear plant, and the final phase of the construction of the tunnel along the Baikal-Amur railroad project—they finished both projects, by the day of the first anniversary of Mr. Putin's inauguration. But there was only one paper, only one central paper, which covered this.

So they made a sort of heroic deed, but that was not noticed. And that's also very important, because when we speak about the shadow economy, and how it works, it's important to know that a large part of its investment goes into the mass media.

And when the state leadership, if the state leadership really wants to change the economy, or to make a breakthrough, especially in the economy, and generally through this, in policy, or both, he needs access to the population. That, to my mind, is the major problem Russia is having right now. That is, that the best statements made by the top leaders are not heard by the population, because the mass media machine is functioning in this free-trade mode. It purchases and produces the most profitable kinds of entertainment products, and it is difficult to hear the truth through this permanent exchange of thrillers and soap operas, then again thrillers, again soap operas; only after that comes ten minutes of news, from which you can learn something about Mr. Putin's new initiative.

So to my mind, that's a real problem.

Origins of a Policy Shift

But what I have to emphasize, that which was not heard, or was almost unheard, was that the change which took place, the revival of thinking, I would say, a revival of thinking in the Russian government, started not from the economic forums in St. Petersburg, and not in the Shanghai meeting. It started earlier. It started this year, when, in one of his speeches, Vladimir Putin referred to the example of Franklin Delano Roosevelt: He said in order to get out of a hard situation, in order to make a breakthrough—he used this word—we must use the experience of Franklin Delano Roosevelt.

So, don't listen to the official mass media to measure and interpret these and other words. Just try to find the truth through some actual events. So, you see an actual event, like the Shanghai meeting. You see the President of China there, you see the President of Iran, and the President of Afghanistan—it's important. Then they go together to Astana. That's also important. They launch a space satellite—that is what is really important.

And you look at the newspapers, and you'll see that some papers claim that "Vladimir Putin is a dictator, he is an anti-

American friend of Ahmadinejad, and therefore he is anti-Semitic," and so on and so on. You take another paper and it will write, "Vladimir Putin is the most pro-American politician of this century. He has sold this to America, this to America, this to America, and this to America. And therefore, he shouldn't be trusted by the real patriots."

Don't read this. Just listen to the truth.

Prof. Andrei Kobyakov

Paradoxes of a Bankrupt World Monetary System

Professor Kobyakov teaches economics at Moscow State University, as well as the Higher School of Economics, in Moscow. He is the author of books and articles, including "The Decline of the Dollar Empire and the End of Pax Americana" (2003, with Mikhail Khazin). In columns for Expert magazine and testimony before the State Duma, Kobyakov has laid bare the fragility of the financial bubble of derivatives speculation, which is the essence of the globalized economy. As an editor at the periodical Russky Predprinimatel (Russian Entrepreneur), he launched a campaign to bring the theme of morality in economics, into Russian policy discussions.



I want to address some issues that are under discussion today. First of all this crisis of international financial system: To be frank, this question of the world monetary and currency system is not only the question of modern responsibility for the main issue of the world currency, and not only a question of a world economic model, but truly it is also a geopolitical question, a question of world power and control. Certainly there could be different ways to exercise this control, for good or evil. But certainly also, the international financial system, the international monetary system, is an instrument of such control. And well, we have now just what we wanted—I don't mean "we," but those people who constructed and reconstructed this system.

How Statistics Can Mislead

Since the 1960s, the American model has changed. And this is one of the main issues of Mr. LaRouche's speeches,

that the new-modelled “American dream” is to produce less and to consume more. So, now the situation is like this. Once I read in the paper that Steven Roach, the chief economist of Morgan Stanley global investment bank, said if the whole economy is a body, America used to be the head, or the brain, of this economy, and maybe hands that make things. But now, America is the world’s stomach: It only consumes what others produce. But this situation is somewhat unique, because production and money, money-issuing centers, are just completely different things. . . .

So the situation now is, the U.S.A. is the world’s stomach, and China is the world’s factory. China produces goods, and the U.S.A. produces some kind of paper. By paper, I mean dollar bills and different forms of derivatives, as well as Treasury bonds, bills, debts—all kinds of debt—Freddie Macs, and Fannie Maes, and so on. So, this is a very curious kind of international division of labor: Some people produce things, and some people produce paper.

There is a joke: If I got a loan from a bank, for example \$1,000, and I have nothing to pay them for this credit, I go to my banker and I say, “Listen, I have a problem, I can’t pay you.” But if this credit was not \$1,000, but for example, \$10 or \$100 million, I go to my banker and say, “Listen, you have a problem, I will not pay you!”

So, the whole financial system is now almost bankrupt. It really is bankrupt, but still it is a technical question, when this process will be completed. But it is only a matter of time, not a final decision.

We are now in a situation, where the discussion of such matters as a New Bretton Woods system or something of the kind, is a very keen problem, a real problem. Because I think that if politicians and professionals nowadays do not invent a new system, then this system will invent itself. We’ll see.

At the end of December, a Chinese statistical or census bureau published some very interesting information. For the last year, they had a kind of economic census, with one in every hundred Chinese participating. And the result was astonishing: They found some 16.5% of additional GDP! But truly, it is not that they didn’t know about it earlier. It’s just the Chinese way of thinking and publishing their news to the whole world community. It’s an Asian way of thinking: You must be not too big in everyone else’s eyes.

So now, they’re preparing to introduce this true situation to whole world community. What does it mean, 16.5%? Let’s make some calculations. We add this 16.5% to the 2004 GDP results; then we add 10% more, which was the GDP growth in 2005; then we multiply it by the official rate of the Chinese yuan, and we get some \$2 trillion. But this is not the real situation, because everybody knows that the yuan is extremely undervalued. And if you use purchasing-power parity—this is the true value of the currency: what you can buy with it. According to official World Bank figures, the Chinese yuan is undervalued by a factor of 4.5. So, we multiply this \$1.9—almost \$2 trillion—by 4.5, and we get

more than \$9 trillion.

The American economy is now officially somewhere around \$11 trillion. But, there’s a curious thing also, in the American GDP statistics: They include some kind of “imputed rent.” Do you know what I mean? If I rent a house to you, I produce some kind of a service. It could be valued and added to the GDP. But, what if I live in my own home? This “imputed rent” is calculated as if I were paying myself this rent money for this virtual service. No other country in the world has this as part of its GDP statistics! It’s 10% of the GDP of the United States of America. So, 10% less.

And now you have at least, that the Chinese economy is just like the American economy in size. And maybe this year, 2006, it will be the greatest economy in the world. It’s a completely new situation. Politicians aren’t used to this situation at all.

I suppose that if Western politicians and professionals will not discuss this Bretton Woods system within a very short time—maybe 5 or 10 years—then China will make a final strike against dollar hegemony, and propose its own currency as a world currency, without any discussion. . . .

Policy Shifts in Russia

Now, regarding these signs of a new policy in Russia. Yes, these words by Dmitri Medvedev are of very high importance, but they are not the only sign. It was just in May that Aleksei Kudrin, who is the Finance Minister of Russia, went to Washington to the G-8 meeting, and he gave an interview to American television and the Reuter agency, which was widely published in the world. He said that it is strange that we live in a situation where the world reserve currency is so unsustainable. And he strongly criticized this twin deficit situation in the United States, and he said that this whole situation is unsustainable. So it is also a sign that the Russian leadership now acknowledges this problem.

Then, on May 10, there was Putin’s address to Parliament and the nation. It was an absolutely new phenomenon, with absolutely new language, absolutely new ideas, ideas about a transcontinental Eurasian Land-Bridge, for example, in this address. Ideas of not just restoring the potential of Russian industry, but of super-industrialization, of new technologies, new energy. The whole project is, so to speak, a kind of concept for a new doctrine. Maybe it is just some kind of fake—maybe. We don’t know still, because there must be actions that prove it—this way or that way.

This month, just before my arrival here, I had some work as an expert. In Moscow there is a Higher School of Management; it is a body of the ruling party. And they are now preparing a textbook for party ideologists and activists. And I was writing three paragraphs for three teams, three economic teams, for this. All the ideas are completely new: modernization, sovereignty, and all kinds of things. I suppose that this process certainly is an inertial process; but if things move, this inertia will also exist! The inertia of moving.

So, maybe we are just at the beginning of this complete turn to a new paradigm. And I suppose that opens up new possibilities, new opportunities for the world economy and for Eurasian cooperation, which Mr. LaRouche talks about.

Thank you very much.

LaRouche's Closing Remarks

Russia, China, Eurasia And Mankind's Future

Lyndon LaRouche provided the following response to Dr. Kobyakov. These also were the closing remarks of the seminar.

LaRouche: This deserves a comment of approbation and supplementary comment on it.

The reality is this: Look at the situation in Eurasia. Now, I'm very strong on Eurasia, because I believe that what has happened in this sense, in Germany, in the relationship of Germany to Russia, and the relationship of Germany to the SCO, to the Shanghai Cooperation Organization and similar nations, is decisive in its potential for the world. The problem is that we can not, without a change in the United States to get back to something like a Bretton Woods system, we can not possibly create the kind of reorganization of the present world financial system, needed to do what can be done.

Now, Russia has two characteristics which are completely misunderstood. Vernadsky did understand it implicitly, but not completely. But what he did, because in his proof of the principle of the Biosphere, which is a very crucial scientific proof—one of the highest qualities of proof, with a very difficult subject to attack, which was not unknown at that time—but what he did, was actually go through this in a thorough way, with his fellow-scientists to develop a conception of the Biosphere, which *changes man's conception of the organization of the universe*. So, Vernadsky was a universal mind, with his own personal complications, but a universal mind. He was not a Communist. He was an anti-Bolshevik, but he was a Russian patriot. And Stalin treated him as a Russian patriot, which is why Stalin protected him against the members of the party. Because, Stalin said, "Don't be a fool. This man is a Russian patriot. Let him do his work."

Vernadsky's Concept of the Biosphere

And so, he did many things in Russia, under those circumstances. But, because of the difficulty of the circumstances, he did not have the opportunity to get the appreciation interna-

tionally which he deserved for his work. Even though he's much admired, he's called an ecologist by people who don't understand ecology. And he's not. Because, he also had the idea of the Noösphere, which he developed as a concept on the basis of his discovery of the Biosphere.

This is the point, coming to what Andrei just mentioned: There are three principles of the universe. First, the physics, the physical standpoint. First of all, we know there is a non-organic, non-living universe, as a phase-space—it's not the universe, it's a phase-space. And we associate that with chemistry, with those chemical actions which occur among non-living processes.

Then you have another space, which is what Vernadsky proved, exclusively: that there's a second dimension, a different principle which is not known to inorganic chemistry, which is based on the different kinds of chemical reactions that occur with living processes, as against non-living processes. This constitutes a growing part, a growing percentage of the mass of the planet, which is called the Biosphere.

There's also a third category, which is also a universal physical principle, which defines the so-called normal university physics today, as merely being a phase-space, not a complete physics. And that is, the human being's mind, the ability to create, discover principles of universal principles, and apply them, *defines a new dimension of physical space as a whole, a new dimension of the universe as a whole*. The quality that distinguishes the human mind from that of the ape: the ability to make and synthesize discoveries of principle which change man's power in and other the universe.

Now, look at Russia today, and its role, as a Eurasian nation, from that standpoint. And now, look at China. Now, some people say, China's going to gobble up Asia. It will not gobble up Asia. It can not. It's impossible. China faces a potential crisis. The rate of growth it's had, in terms of its partnership with the United States in particular, has a real aspect, and has a fake aspect—an illusory one.

Drinkable Water for 8 Billion People

The great problem on this planet is raw materials, and this is the raw materials of the Biosphere. The one up now, is water, drinkable water. *The planet is running out of sources of drinkable water to sustain this world population*. We are using up, perhaps as much as 20% of the fresh-water supplies we are using, are *fossil water*, which means once they're used up, they're virtually gone. This is a case in many parts of the world.

If the human population is going to grow, then we must now produce, *synthetically!*, water. To produce the volumes of water required, synthetically for human existence, now requires, nothing less than high-temperature gas-cooled reactors. We can't even make a dent in it, without it. So anybody who is against high-temperature gas-cooled reactors is against the human race, and their opinion should be treated accordingly.



EIRNS/James Rea

LaRouche: "We still have the possibility in the science of Russia to launch a program to find new ways of synthesizing the kind of qualities of materials the humanity of the future will require."

Secondly, the whole mineral content, from the standpoint of usable minerals, in the Biosphere, which is where we get our minerals from—there's almost nothing, except what floats in from outer space, in terms of minerals which we have on this planet, available to us. And most of these minerals are in a form which is not high grade, that is, they're very expensive to exploit, in terms of human labor.

Therefore, we're running into a point with the expansion of the population. Now China is typical, with over 6 billion people on this planet now, and the prospect of 8 billion, within a generation or so: How are we going to find the high quality of raw materials needed to improve the standard of living, for that kind of population? For at least a population of 6 billion? We can not do it with conventional methods of mining. We're running up against the limits. We're running up against the limits of development of petroleum, and this is known by people who have studied in this area of petroleum studies: We are going to have to have not only nuclear power, but to deal with the idea of *transmutation of materials*, isotopic changes; we're going to require a mastery, within a generation—25 years—we must reach a development of applicable *thermonuclear fusion processes* within 25 years. This is a planetary objective. We must not only reach that, we must begin to utilize that as a mass part of our program.

Now, okay. Now, let's take China, China's part of Asia. Some of you may know that, right? China is proximate to an area which is one of the great concentrations of mineral resources of the planet, which is Russia, Kazakstan, and so forth—this shield. Much of this area is in the tundra area, the Arctic area. Now, if you study this area, you find out that it's

going to take more than simply digging, to get the mineral resources which live there, or which abound there. There's only one nation, which has the technological *heritage*, which is capable of developing that area. That technological heritage was developed in Germany; it was developed in Saxony. Saxony is where this university, Freiberg, or the Freiberg Academy was, where Leibniz was associated with this. Where the Tsar Peter the Great, as a Prince first went there, and then went back later. And each time he went there, he established a new geological academy in Russia, once in Petrograd and once in Moscow. And it's from this process, and the character of Russia's development historically as a Eurasian nation, in response to what had happened earlier in terms of the invasion of Russia.

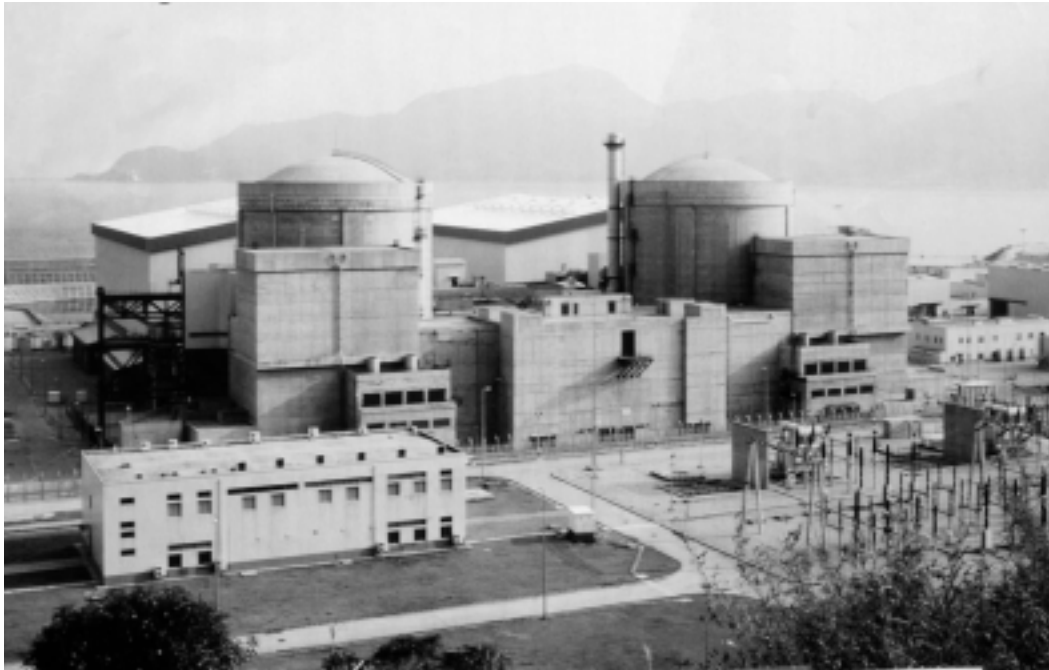
So, Russia is a Eurasian nation, with a technological capability, and knowledge which is specifically necessary, for dealing with this area of Asia, for a growing population, which is going to depend upon natural resources. Now, Russia can not simply produce natural resources. In order to extract natural resources, you must build new cities, you must build a new infrastructure. You must build it under extremely difficult circumstances, today, in the Arctic tundra region. And Russia will be a great manufacturing center, of a large supply of mineral requirements of Eurasia as a whole.

That will not be simply raw material extraction. Idiots think raw material extraction is the answer. It is not the answer. It is the actual *production* of process materials in the quality required, and the development of the *infrastructure*, the production infrastructure and the social infrastructure, required to keep a population in place, in the areas where that production has to occur. This can not occur without the development of mass-transit systems of a new type, throughout Eurasia. It means a change in a population policy, everything else, in terms of settlement.

Thermonuclear Fusion for Our Survival

So therefore, what is happening in Russia today, potentially, is this, is the future of Eurasia. Because, if you do not have mass nuclear power, of the high-temperature gas-cooled reactor type, if you do not have a breakthrough into thermonuclear fusion within 25 years, for application, *you have a physical crisis of humanity*, if all other problems were solved, social problems and political problems were solved.

So therefore, in looking at this business, what you refer to, reflects a reality which I've discussed with people in Moscow, over a better part of a decade: This question, how are we going to deal with this? And the ones we dealt with, with the aging population of senior scientists in Russia—and you know what is happening to them, their age is taking over from them—is, we still have the possibility in the science of Russia, the relevant science, to launch a program with the idea of supplying the human race with a margin of additional raw materials, of the quality required, at the same time that we're going ahead with a thermonuclear fusion program, whose included



Framatome, ANP

Nuclear plants in Guangdong Province, China. "If the human population is going to grow, then we must now produce, synthetically!, water. To produce the volumes of water required, nothing less than high-temperature gas-cooled reactors will work."

task is to find new ways of synthesizing the kind of qualities of materials the humanity of the future will require.

So, we're entering into a great transition period, in which the development of Russia, Kazakhstan, and so forth, this area, in this way, for this purpose, is extremely important, and determines the destiny of humanity. This is the transition phase which will go to a next phase beyond. But this is the thing we have to do now.

So don't underestimate the fact, the refraction of what you refer to: It refers to something which I know is real, and people in Russia know is real. So if this thing gets out in publications in that form, it probably is certainly not accidental. The question would be, in your mind as well as in mine: Do they understand what they're talking about?

'When Riding on a Tiger. . .'

Jonathan Tennenbaum: Ladies and gentlemen, in a certain sense, we should just go on. However, I'm informed that we have already exceeded the time that we have in this room here.

I think, we *must* go on, and we shall. I want to thank the speakers here, and particularly Lyn, Helga, and the others, were very inspiring. The kind of presentations and discussion, people should be leaving here like rockets, to get out there, and inspire people to win the fight that we have. And I think that the concept of the fight was fairly well communicated.

It reminded me of a Chinese saying—Lyn is criticizing me that I got out of the habit of this.

LaRouche: Yeah, you stopped the habit. It was very good.

Tennenbaum: Okay, so I'll give you two: One of them is called "Three people can create a tiger." I won't tell the story, but what it basically means: It's about a king and an advisor of the king. And the advisor wanted to see if the king was able to think, or maybe to get him to think. And so the advisor said, "Well, if one person would say, 'There's a tiger in the backyard, would you believe him?'"

The king said, "Hmm, no."

So, the advisor said, "Well, if two people told you, 'There's a tiger in the backyard.'"

The king said, "Hmm, well—"

The advisor said, "If three people say that, 'There's a tiger in the backyard,' would you believe it?"

"Well, yeah! Probably I would."

"You're wrong! All of your other advisors are giving you bad advice."

So, but this is often used, for people who believe what they read in newspapers. They believe that if everybody says, so-and-so about LaRouche, or about this or that, that therefore it's true.

The other one is appropriate, I think, to what we were discussing on the question of Synarchism, and the fight here: It's called "When riding on a tiger, it's hard to get off." This is a version of something that Helga likes to talk about: When you have the tiger by the tail, and you're swinging the tiger around, to defeat the tiger, don't let go! Because, when you're in a fight like this, you have to carry it through to the end.

I think that's the message that I think we should go out here, with this. And, thank you very much. Don't forget signing the resolution!

International Intelligence

LaRouche on the Case Of Mexico's Echeverría

Lyndon H. LaRouche, Jr. issued this statement on July 1:

"I found the announcement of the house arrest of former Mexican President Luis Echeverría, who is charged with responsibility for the violence unleashed in Mexico in 1968, most curious.

"As I recall, Echeverría was a target of the PAN (National Action Party) at the time. And as I know in detail, on the basis of privileged intelligence from the 1920s through the 1960s, that the PAN was created by the fascist Synarchist interests that also put Hitler, Mussolini, and Franco in power, I was extremely amused that the current PAN government of Vicente Fox is now accusing Echeverría in relation to the 1968 events.

"1968," LaRouche continued, "was a classical Synarchist destabilization operation, in which they deployed their forces both on the right and on the left, to produce the desired result. It is the PAN and its Synarchist masters—and not Echeverría—that should be investigated for the 1968 events."

WJC Chairman Welcomes Dialogue With Iran

World Jewish Congress Chairman Israel Singer said that if invited, he would enter a dialogue with Iran's religious leaders. In an interview with the July 2 issue of Germany's daily *Tagesspiegel*, Singer reviewed the just-concluded Berlin meeting of the new political council of the WJC, saying that the German capital was chosen for this first session of the council, because Germany is an important venue, if one wants to discuss Iran. He would be willing even to visit Tehran, if invited, to meet with Iran's Supreme Religious Leader Ayatollah Khomeini, Singer said, because the dialogue between Jews and Muslims is so important.

The dialogue between Christians, Jews, and Muslims was also on the agenda of the

Moscow inter-religious summit meeting on July 3, which Singer said he was going to attend. Held in the context of the July 15 G-8 Summit, the meeting involved more than 100 leaders of religious communities from about 40 countries.

Argentina's Kirchner Underlines 'Integration'

"I am convinced that integration is the great political enterprise of our time," said Argentine President Néstor Kirchner, in a July 4 speech to the Caracas summit of Presidents of Mercosur (Common Market of the South), at which Venezuela was officially inaugurated as the bloc's fifth permanent member (along with Paraguay, Uruguay, Argentina, and Brazil). Bolivian President Evo Morales was present also as a special guest.

Lyndon LaRouche has emphasized the necessity of political-economic integration of Ibero-America, for purposes of high-technology development, notably since his 1982 publication of *Operation Juárez*, following a meeting with Mexican President José López Portillo in Mexico City.

Kirchner's six reported speeches in Caracas culminated with his July 5 address before Venezuela's National Assembly on the country's Independence Day. As in all his addresses, he repeated that South America is "at an inflection point," with the potential to change history. "The winds of change are blowing across Latin America," he warned.

The previous day, as he spoke to Mercosur heads of state, Kirchner explained that integration is necessary because "the simple logic of the market which excludes people cannot carry us . . . toward development and well-being. . . . The markets and free trade don't guarantee our development with inclusiveness. Integration is much more than liberalizing trade. It is setting the goal of building a great political community which promotes production."

Without infringing on any nation's independence or their own realities, Kirchner said, integration requires a "broadened concept of sovereignty" in which a group of na-

tions can fight for things that individual nations can't do by themselves. "Today, we have the sense that we are taking big steps toward an effective South American integration . . . ; steps toward a Mercosur more focussed on production . . . with more initiatives on the development of infrastructure projects; more efficiency in financing productive regional projects." And, he added, don't lose sight of the fact that integration is also "a battle of ideas, and as such, it also has its adversaries; among them, those who long for the days of automatic alignment"—i.e., during the Cold War, when it was a given that South America would automatically stand with the United States on every issue.

Kirchner warned at the National Assembly that those "who want to stop history," by categorizing South American governments as "populist . . . or not," are making a big mistake. "Our governments are not populist or demagogic. We represent national interests," and must act with courage and conviction, which is what the present situation demands.

Russia, Indonesia Sign Large Defense Agreement

Russia and Indonesia have signed a major defense accord, including Russian arms sales on credit, *Asia Pulse* reported on July 3.

Alexander Denisov, co-chairman of the Indonesia-Russia Joint Commission on Military Technical Cooperation, told RIA Novosti before leaving for Moscow, about his meeting with Indonesian Defense Minister Juwono Sudarsono: "We felt that our partners in Jakarta were genuinely interested in developing bilateral cooperation, recalling old times, when Russia helped the young Indonesian state build its armed forces. We could see they clearly wanted to recover their former military strength, and our country could have a large role in that."

On Russia's possible role in developing Indonesia's defense industry, Denisov said Moscow was considering various ways to do that, possibly including joint ventures.

McCain-Feingold Target Water Projects

by Mary Jane Freeman

The long-stalled Water Resources and Development Act of 2006 (WRDA), S. 728, introduced in April 2005, has finally been readied for debate in the Senate, but at great cost to the future of the nation's economic well-being. Periodically, WRDA measures are enacted to authorize certain Army Corps of Engineers infrastructure projects; but no WRDA bill has made it through Congress since 2001. Now, a left-right environmentalist elite has succeeded in inserting text into the bill to create *an oversight entity, outside of Congressional control* which will eviscerate the U.S. Army Corps of Engineers and likely kill urgently needed projects on the nation's 12,000-mile inland waterways.

Without passage of S. 728, in its original intent, hundreds of critical inland waterways projects are in jeopardy, including the Upper Mississippi River system. Yet, passage of the bill *as it now is crafted*, would subjugate the Corps' mission, to build and protect the nation's infrastructure, to the monied interests of globalist networks, who are using the pretense agenda of environmentalism and spending-control, to halt public works. This is the same agenda used to halt development of the nation's industry and science for 30 years.

The assault, led by Senators John McCain (R-Ariz.) and Russ Feingold (D-Wisc.), is on behalf of a cast of right and left radical organizations which attack the Corps and Congress as criminals in cahoots to promote "congressional pork," "wasting scarce" Federal funds on "environmentally unacceptable" projects. In February 2006, McCain and Feingold introduced their own Water Resources Planning and Modernization Act of 2006, S. 2288, to "reform" the way the Corps does business, set "new priorities," and add more "transparency" to Corps decisions. They bragged of support from Green-Synarchist organizations including Taxpayers for Common Sense Action, National Taxpayers Union, Citizens Against Government Waste, American Rivers, National Wildlife Federation, Earthjustice, Environmental Defense, Republicans for Environmental Protection, Sierra Club, and the World Wildlife Fund.

A Compromise to Kill the Corps

Between April and July of 2005, the original S. 728, was on track for early adoption. The Senate Environment and Pub-

lic Works Committee passed it out in April 2005 to be calendared for full Senate debate. The House version, H.R. 2864, passed in the House in July 2005. Although both House and Senate bills included some Corps "reform" aspects (for example, independent review of certain projects and certain "transparency" requirements on expenditures), they were not new, because the Corps had already been under such obligations. The two bills identified more than 100 specific projects to be authorized, as does the new version of S. 728.

The bill stalled in the Senate. Majority Leader Bill Frist (R-Tenn.), on Bush Administration orders, refused to calendar the bill. So it sat in limbo for months. On Jan. 25 this year, 78 Senators wrote to Frist demanding that he schedule debate on S. 728. On Feb. 16, Senators Patrick Leahy (D-Vt.) and Evan Bayh (D-Ind.), added their names to the list, but Frist still stonewalled.

By May, however, the Senate leadership got Senate minority leader Harry Reid (D-Nev.) and Frist to agree to "hot-line" the bill—a procedure whereby both Democrats and Republicans agree in advance on baseline bill language and any amendments to be offered, and set time limits for debate. Sources report that under these conditions, Frist may now schedule the bill.

Coincident with the negotiations a *Washington Post* May 14 double-feature appeared, with the headline "Par for the Corps," superimposed on a half-page photo of flooded New Orleans, with the subhead, "A Flood of Bad Projects . . . And How to Stop It." This hatchet job was done by a pseudo-environmentalist duo, Michael Grunwald, the fanatical hard-liner, and John M. Barry, the softer sophist, to promote the McCain-Feingold bill. They both described the Corps as a failure. In conclusion, Barry called for creating a new "Water Engineering Board," to oversee the Corps. He likened it to the way BRAC—the Base Realignment and Closure Commission—decides what military bases will close, *outside of Congressional control*. Congress, under the new Water Engineering Board, would be able to "only accept or reject a package of recommendations."

Indeed, the hot-lining negotiations led to a compromise or substitute bill, called a manager's amendment, which incorporates the McCain-Feingold bill's creation of a Cabinet-level body tasked to set Army Corps water resources policy. The entity is called the Water Resources Planning Coordinating Committee. It *excludes* the Secretaries of Defense and Army—the two offices who directly represent the Corps' engineering expertise! But it includes the Environmental Protection Agency administrator, and the chair of the Council on Environmental Quality, along with the Cabinet Secretaries of Agriculture, Health and Human Services, Housing and Urban Development, Energy, Transportation, Homeland Security, and Commerce.

The new entity is directed to "consult with the National Academy of Sciences"—a harsh critic of the Corps—on how to update Corps planning procedures; so the fox is guarding

the henhouse.

Another task of the new entity is to “eliminate” any “biases and disincentives that discourage use of nonstructural approaches to water resources development.” In plain English: Don’t build anything.

Greening the Corps: Woodley in Charge

A source close to the Corps told *EIR* that the Corps acquiesced to many of these reform provisions in 2005 after the WRDA bill stalled. It is little wonder this occurred, given the record of Bush-appointed John Paul Woodley, Jr., who took over as Assistant Secretary of the Army for Civil Works in May 2005. Earlier he had served in this position, from August 2003 to December 2004, by a recess appointment.

In February 2006, Woodley issued a report in which he “held in abeyance” the Corps’ plans to start rebuilding some of the 39 locks and dams of the Upper Mississippi-Illinois Waterways System—part of the projects authorized in the WRDA of 2006. He questioned the cost-benefit analysis used in the chief of Engineers’ finding of economic justification, relying instead on a National Academy of Sciences’ report opposing rebuilding of these locks. Citing the Academy’s report, Woodley argued, “Our basic concern is . . . we don’t have the tools . . . to make judgments on the likelihood of economic justification.” He submitted his report to the Office of Management and Budget in April, further delaying this project, for which the Corps has tried for more than 13 years to get the go-ahead: the repair of the aged locks on the Upper Mississippi/Illinois.

Woodley’s credentials include service as former Virginia Republican Gov. James Gilmore’s Secretary of Natural Resources where he took pride in “environmental stewardship,” as he stated in an April 1998 speech to the Virginia Military Institute.

The new version of S. 728, the manager’s amendment, is to be debated along with eight other amendments, four of which are sponsored by McCain-Feingold. It will not merely authorize badly needed and overdue water infrastructure projects, but also now includes this deadly “reform” language. It is akin to the 1997 McCain-Gingrich Amtrak “reform,” Bush’s 2005 anti-Congress Medicaid Commission to “reform” health care for the poor, and other budget-cutting “governance” schemes.

Many Senators, such as Ben Nelson (D-Fla.) and Kit Bond (R-Mo.), who back Army Corps water projects, seem to have fallen in line with the reform language, out of desperation to “get a bill” authorizing projects. In true Venetian-style

FIGURE 1

Locks and Dams on the Upper Mississippi River-Illinois Waterway System



Source: U.S. Geological Survey, 1999.

The navigation system of the Upper Mississippi River and Illinois River—shown by broken lines—involves 39 locks and dams: 27 of 29 are shown on the Mississippi by numbered sites; and 7 of the 10 on the Illinois are named. Of the 37 main chamber locks, 32 were built more than 50 years ago. The Army Corps of Engineers has studied how to proceed on modernizing this system for 13 years. Locks and dams 22 and 25, constructed in the 1930s, are among the first 7 the Corps wants to rebuild.

politicking, under one scheme in play, no objections would be raised until after a bill is passed. Then, in the resulting Senate-House conference committee to resolve differences with the House’s bill, changes could be made. This is a loser’s gamble. The nation urgently requires LaRouche’s Economic Recovery Act of 2006 to defeat the long-standing enemy of U.S. economic growth: Synarchist banking circles whose green agenda disguises their aim of taking down the industrial capability of the United States.

House Passes Line-Item Veto

In a vote of 247 to 172, on June 22, the House passed what the Republicans term a “legislative line-item veto.” It follows up a proposal in President Bush’s Fiscal 2007 budget request, and is supposed to avoid the pitfalls that led the Supreme Court, in 1998, to strike down the last line-item veto that the Republican-led Congress passed. Unlike the earlier version, this bill requires that the Congress act on any line-item cancellations that the President proposes, but it must do so within ten days.

The line-item veto authority applies not only to appropriations bills but also to any bill that provides budget authority outside of appropriations bills, including changes in entitlements, or other non-discretionary programs.

House Budget Committee chairman Jim Nussle (R-Ia.) argued that the bill is just an “effective tool for reducing wasteful spending.” Paul Ryan (R-Wisc.) claimed that the bill, unlike the earlier line-item veto, protects the prerogatives of Congress, because the Congress decides whether or not the rescissions become law. “This is consistent with the bicameralism and presentment clause in the Constitution,” Ryan claimed, “and maintains the separation of powers.” He also argued that the bill will act as a deterrent to wasteful spending.

Opponents’ concerns about the Constitutionality of the measure were not assuaged, however. Rep. John Spratt (D-S.C.), the ranking Democrat on the House Budget Committee, charged that the bill simply passes off to the President, responsibility that the Congress should be taking on budget matters. Rep. David Obey (D-Wisc.), the ranking Democrat on the House Appropriations Committee, noted that the Republican-controlled Congress

has done “a pitiful amount of oversight” over the last five years and that the only remaining power that Congress has left is the power of the purse. “If members of this body want to diminish that power and further weaken the ability of the legislative body to do its job, then, by all means, vote for this bill.”

House Appropriations Committee chairman Jerry Lewis (R-Calif.), one of 15 Republicans to vote against the bill, warned the House that the bill would transfer a great deal of budgetary power to the Executive Branch. “The President, or even bureaucrats within the agencies or the Office of Management and Budget, would set the legislative agenda by deciding what rescissions to include in a bill,” he said.

Call To Look Into Abuses Of Power by Administration

Last December, Rep. John Conyers (D-Mich.), the ranking Democrat on the House Judiciary Committee, released a report detailing the Bush Administration’s abuses of power in relation to its decision to go to war in Iraq. The study, entitled, “The Constitution in Crisis: The Downing Street Minutes and Deception, Manipulation, Torture, Retribution, and Cover-ups in the Iraq War,” found “substantial evidence the President, the Vice President . . . misled Congress and the American people. . . ; misstated and manipulated intelligence. . . ; countenanced torture and cruel, inhumane, and degrading treatment . . . and permitted inappropriate retaliation against critics. There is a *prima facie* case that these actions . . . violated a number of federal laws.”

The study goes on to note that “While these charges clearly rise to the level of impeachable misconduct,” the Administration and Republican-con-

trolled Congress have blocked action, therefore, “more investigatory authority is needed before recommendations can be made regarding specific Articles of Impeachment.” It urges Congress to, among other things: 1) form a bipartisan select committee with subpoena authority to investigate and report to the Judiciary Committee on possible impeachable offenses; 2) pass Resolutions of Censure against Bush and Cheney; 3) refer potential violations of Federal criminal law to the Justice Department.

On June 30, Conyers, in a letter to Judiciary Committee chairman James Sensenbrenner (R-Wisc.), asked for specific committee action following the Supreme Court decision in the Hamdan case, which struck down the Bush Administration’s planned military commissions for terrorist suspects held in the U.S. military prison at Guantanamo Bay, Cuba. Conyers noted that “For several years,” the Democrats have requested hearings on Guantanamo detainees and have offered legislation to provide them with due process, but the committee has yet to act on the issue. “The Supreme Court has now called on Congress to act in this area,” Conyers wrote. “We believe that we must heed this invitation for Congressional action, and act to establish clear standards and procedures to deal with terrorist detainees.”

House Panel Subpoenas Pentagon

On June 30, the House Government Reform Committee issued a subpoena to Secretary of Defense Donald Rumsfeld for documents relating to abuses at the Abu Ghraib prison in Iraq. The subpoena was agreed to by committee chairman Tom Davis (R-Va.), National Security subcommittee chairman Christopher Shays (R-Conn.) and Henry Waxman (D-Calif.).

lif.), the ranking Democrat on the full committee, after the Pentagon failed to respond to a March 7 letter the committee had sent to the Defense Department regarding the Testimony of Army Specialist Samuel Provance. Provance had alleged, in testimony, last February, that the military had ignored his efforts to bring attention to the abuses, then retaliated against him when he released unclassified materials on the abuses to the press.

Chairman Davis wrote that he tried to be reasonable in the request from the DOD, "but if the Department won't even return a call, after three months, and begin that dialogue, we really have no choice but to subpoena the material and compel their attention to our request."

The subpoena sets a July 14 deadline for the Pentagon to produce documents relating to: the unredacted testimony of Provance (redacted by the DOD before his testimony before the Congress); specific material on interrogation involving family members; all drafts of the investigation of Abu Ghraib; and all communication in regard to Provance. According to a Pentagon spokesman, the Defense Department has already provided much of the documentation that it says is appropriate to provide, relating to Provance and Abu Ghraib.

House-Senate Discord Stalls Immigration Bill

One month after the Senate passed its version of immigration reform, the two Houses still have not agreed to have a conference committee. While each side blames the other for the impasse, the House GOP leadership has decided to spend the August recess holding field hearings around the country on the issue. Supporters of the Senate bill see the House action as both a repudiation of President Bush,

who supports the Senate bill (with its guest-worker program and its path towards legalization for undocumented immigrants), and as an election year maneuver to stall the bill until November.

House Judiciary Committee chairman James Sensenbrenner (R-Wisc.) angrily lashed out at the Senate and the press, at a GOP leadership press conference on June 22. He claimed that the plan for hearings is an attempt to slow down the process. The problem, he said, is that "The Senate hasn't even sent a message [announcing that they had passed the bill] to the House." Therefore, he said, "there's nothing we can do to set a conference."

Sensenbrenner also noted that because the Senate bill has a tax provision in it, it will be blue-slipped anyway; that is, sent back to the Senate because tax provisions must originate in the House. "It's a Senate problem," he said. "They have to fix it."

The authors of the Senate bill, on the other hand, see the House as deliberately delaying the process. John McCain (R-Ariz.), speaking on June 27, declared his willingness to negotiate with "those who have specific disagreements . . . as long as there is agreement on a comprehensive approach. . . ." That approach has to include some sort of guest-worker program and a path towards legalization and eventual citizenship for those undocumented immigrants currently in the country.

Meanwhile, the field hearings are going ahead. Rep. Ed Royce (R-Calif.), the chairman of the International Terrorism and Nonproliferation Subcommittee of the House International Relations Committee, held the first hearing in San Diego on "Border Vulnerabilities and International Terror" on July 5. Democrats, who had initially said they would boycott the field hearings, changed their minds and de-

cided to participate. However, neither side has so far brought up the issue of free trade and the destruction of the Mexican economy by the North American Free Trade Agreement, the clear cause of mass immigration from Mexico over the past decade.

GOP Mutiny Blocks Voting Rights Act Renewal

A revolt by a group of Republican House members led to the cancellation of a planned vote on June 21 to reauthorize key provisions of the 1965 Voting Rights Act. It had been expected that the bill would pass with strong bipartisan support, because many key Republicans, including House Judiciary Committee chairman James Sensenbrenner (R-Wisc.), support it, as does the Bush Administration. The key promoter of the renewal is John Conyers (D-Mich.), the ranking Democrat on the House Judiciary Committee.

The Voting Rights Act itself does not expire; what is at issue is the reauthorization of certain key provisions which do expire in 2007. The most important of these are the requirement for certain states with a history of voter discrimination to receive "pre-clearance" before making any changes in their voting procedures; and the minority-language provisions, requiring multilingual ballots and special assistance for voters for whom English is a second language.

A group of Republicans from Georgia and Texas objected to the renewal of the pre-clearance provisions, and those members, plus some from Northern states, objected to the multilingual requirements, leading House Speaker Dennis Hastert (R-Ill.) to pull the bill, under the informal rule that no bill will come to a vote without the support of a majority of Republicans.

Editorial

To Defeat Fascism, You Must Call a Nazi a 'Nazi'

As we continue to document for all those with the courage to hear, the Anglo-Dutch Liberal bankers, along with the French Synarchists, who created the Nazis, have not gone away. Some of those responsible for Hitler's fascism were prosecuted, but many were not. And now that the terminal crash of the financial system is in process, they intend to take over again—this time, the whole world.

It is in this context, that Lyndon LaRouche has insisted that the failure of leaders of the Democratic Party, among others, to call Felix Rohatyn and his accomplices Nazis, is a mortal danger to this republic. We quote a recent statement by the 83-year-old LaRouche:

"As the living survivors of my generation would recall today, Rohatyn has the credentials of one consciously in the same tradition as the French and British bankers, such as Montagu Norman's Schacht, and the like, who created Hitler with the Bank for International Settlements' backing from 1931-1934 on. It was not the Adolf Hitler designed in the image of the Napoleon Bonaparte created in the image of the anti-Semitic "integrity" Torquemada of the Martinist freemasonry's Joseph de Maistre, who created the circles of André Meyer and Felix Rohatyn. It was those financier circles of Anglo-Dutch Liberal, and Anglo-Dutch-allied Synarchist connections, such as Lazard Frères and Banque Worms, who created Hitler. It was they who created Hitler and his like as the *expendable instruments* in temporary service of what are, still today, their presently continuing, planetary strategic objectives.

"We of an older, and clearly wiser generation, did not let Nazis off the hook, as some leaders of the Congress did in 1946 and later, by denouncing 1930s opponents of fascism as 'premature anti-fascists.'

"Implicitly, any influential figure who does not see the genesis of Nazism in Rohatyn, is a potential accomplice in allowing the early accomplishment of the greatest crimes against global humanity already in progress today. They should stop being 'Baby Boomers,' and choose to become fully human, instead."

Without moving to extirpate the influence and reputation of Rohatyn from policy-making circles in the

United States, there is no way that the Congress, for example, is going to take the actions required to save the U.S. economy, and nation, from being ripped to shreds. *EIR* has observed well-meaning Congress people attempting to grapple with the Emergency Recovery Act of 2006, which LaRouche has put forward, and being extremely excited about the avenue of hope which such a program represents. Yet, to the extent they are listening to Rohatyn and his circles, they *cannot* act. For the shift to LaRouche's economic recovery measures requires a dramatic change in the axioms of government policy—not the adoption of some technical economic program.

And what is the difference in axioms? It should be absolutely clear. Rohatyn and his Synarchist ilk are proceeding from the standpoint of *bankers* being in charge of the economy, rather than any government, particularly a republican government. They are enraged by the idea of a government committed to the General Welfare, stepping in to prevent looting by private interests, and, even more terrifying, to provide the basis for upgrading the entire population. It was for this reason that Rohatyn, for example, had a virtual rug-chewing fit, when President Bill Clinton proposed in September 1998, that nations get together to establish a "new financial architecture," that would lead to global prosperity. Private companies should take responsibility for the world economy, insisted Rohatyn, not governments.

In effect, what Rohatyn is saying, on behalf of all the Nazi financiers who have worked to take over the global economy since Roosevelt's death, is that they are determined to eradicate the example, and methods, which Franklin Delano Roosevelt used to defeat their kind in the Second World War. They say that FDR's methods are "not appropriate" today; they mean that FDR's methods represent a mortal threat to their self-appointed license to rule.

Lyndon LaRouche has the credentials of not only having identified the threat of resurgent fascism since the 1960s, but of having identified Rohatyn's fascist character *by name* from the early 1970s on. If you want to defeat fascism today, you have to work in collaboration with Lyndon LaRouche.