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The Economic Past Is Now Behind Us!

Money or Credit?

by Lyndon H. LaRouche, Jr.

August 26, 2010—It has happened as I had forecast it would occur within this relatively narrow interval of time. It occurred during the closing business days of that past week, in a time short of four decades, that since August 1971, when matters have now come to today's narrow, panic-stricken close. The effect has been, essentially, world-wide. This happened inside the U.S.A., because nothing which I had prescribed, as in 2007, since a time when nothing that should have been done by the U.S. government, had been done to prevent this terrible present crisis from happening. The present world monetary system had been poised, until now, to enter a certain kind of hyper-inflationary collapse—unless we acted now to prevent it, a collapse which would amount to an approximation of what had happened to Germany, by itself, back in 1923. At this present time, the threatened effect is not to one nation by itself, as in 1923 Germany; it is world-wide. It is, in fact, a threat which, if now permitted to continue much longer, would mean an accelerating rate of plunge into an early, world-wide collapse, a collapse comparable to, but worse than, the ``New Dark Age" of Europe's Fourteenth Century. As I had warned in July 2007, that collapse had to be prevented beforehand; whatever the form of prevention which we must take now; no delay is excusable...

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This Week's Cover

- **The Economic Past Is Now Behind Us!**

Money or Credit?

by Lyndon H. LaRouche, Jr.

'The only sane option for a continuation of civilization on our planet, now, would be to abandon a presently, utterly failed, global, monetarist system, and to replace it by a credit system of the form which had been intended by the U.S. Presidency of Franklin Delano Roosevelt. This change, from that monetary system which is now destroying our nation, to enter a physical-economic recovery under a credit-system, demands some crucially significant kinds of urgently needed changes in the economic organization of not only the U.S. economy itself, but the planet considered in the large.'

- **Sarpi's Lies**

National

- **A Leaf from FDR's Book:**

And It Will Be Good

by Lyndon H. LaRouche, Jr.

'To revive an economy whose living heart would soon cease breathing, even in as little as weeks, were President Barack Obama to remain in office, we must commit ourselves, not merely to act in President Franklin Roosevelt's sense of urgency in Spring-Summer 1933; we must take certain sweeping actions, as he did then, to actually set the general economic recovery into motion.'

- [FDR's Emergency Measures:
The First Hundred Days](#)

Strategic Studies

- [An Extraordinary International Dialogue with Lyndon LaRouche](#)

Several months ago, we posted an edited transcript of an April 29 dialogue between Lyndon LaRouche and a group that had gathered in New York to discuss LaRouche's proposed FourPower Agreement and related issues. That group included policymakers, academics from leading American universities, journalists, and representatives from Russia, China, and India. On Aug. 5, that group convened once again, now expanded by many new participants, for what proved to be an equally extraordinary dialogue on economic policy, NAWAPA, and the nature of man.

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U.S. Economic/Financial News

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Laura Tyson Calls for Infrastructure Investment and Job Creation

Aug. 29 (EIRNS)—Laura Tyson, former chair of the Council of Economic Advisors under President Bill Clinton, and a member of President Obama's Economic Recovery Advisory Board (the Volcker board), has called for a \$1 trillion investment by the Federal government in job-creating infrastructure projects, in an op-ed in the Aug. 29 *Sunday New York*

Times. Warning that the debate over fiscal policy "has become skewed, with far too much focus on the deficit and far too little on unemployment," she called for measures to address the economic disaster. "Two forms of spending with the biggest and quickest bang for the buck," she wrote, "are unemployment benefits and aid to state governments. The federal government should pledge generous financing increases for both programs through 2011."

Citing the American Society of Engineers' study identifying \$2.2 trillion in urgent infrastructure needs, she emphasized: "An increase in government investment in roads, airports and other kinds of public infrastructure would be cost-effective, too, as measured by the number of jobs created per dollar of spending.... Over the next five years, the federal government should work with state and local governments and the private sector to finance \$1 trillion worth of additional investment in infrastructure." She cited the Build America Bonds program which, last year, funded \$120 billion in infrastructure improvement projects by the states. She wrote, "The federal government should also create and capitalize a National Infrastructure Bank that would provide greater certainty about the level of infrastructure financing over several years." She cited interstate high-speed rail as one priority project for such a bank. It would be capitalized by the Federal government, not by private capital on a for-profit basis.

Tyson argued against those who demand deficit reduction before any investment in job creation or real economic activity. "For now," she concluded, "the priorities of fiscal policy should be jobs and investment."

Record Numbers Depend on Federal Anti-Poverty Programs

Aug. 30 (EIRNS)—U.S. government anti-poverty programs are now servicing a record one in six Americans, and these programs are still expanding under economic collapse conditions, reports *USA Today*. Here are details:

* Medicaid: More than 50 million Americans are now on Medicaid, up 17% since 2007. The cost is up 36% in two years, to \$273 billion. And this is before the Obamacare law adds another 16 million, starting in 2014.

* Food stamps: More than 40 million people, up almost 50% since 2007.

* Unemployment insurance: Close to 10 million people, despite the 99-week limit which has cut off benefits for many. This is four times the number of recipients in 2007. Caseloads peaked at 12 million in January, the highest number on record. Payments are up from \$43 billion to \$160 billion.

* Welfare: More than 4.4 million people, despite the massive cutbacks of the 1990s; an 18% increase since 2007. This has grown slower than other programs, but payments are still up 24%, to \$22 billion.

Numbers of New York City's Unsheltered Homeless Spike Upward

Aug. 31 (EIRNS)—New York City's official count of homeless people living on the streets and in the subways spiked up from 2009 to 2010, according to the New York City Department of Homeless Services. In 2009, the annual January NYC Street Survey found 2,328 individuals. In 2010, the same count found 3,111—1,077 of whom were living in the subways. The 34% increase represents a major change in direction, as the count had been declining every year since 2005.

Health-Care Infrastructure Crumbling

Aug. 31 (EIRNS)—Americans' "usage of health care" has been steadily declining since the beginning of the year. Families lucky enough to be working, if they can still afford their own insurance, have chosen policies with higher deductibles, in order to save money. Either way, they are now "thinking twice" before going to the doctor.

As reported in a *Wall Street Journal* article last month, doctor visits have declined each month this year, averaging about 4.5% each month, but with a 7.8% drop during May. Hospital admissions dropped during three of the first four months this year, with a 2.3% decline in April (compared to a year ago). Adding to the picture of the "collapse within the collapse," CVS pharmacies' financial statements for the second quarter noted a "drop-off" in new prescriptions, which they also tied to a decline in physician visits.

Medical services are also being affected. Quest Diagnostics (a leading diagnostic test firm), for example, reported that its volume fell 2.6% in the first quarter, and 1.3% in the second; outpatient-surgery provider AmSurg reported that "same-store" procedures had dropped 2.6% since January. Even office-support company AthenaHealth noted that both claims filed per physician, and the average dollar value for each visit, had shown declines, compared with last year.

Global Economic News

Euro Crisis: Anglo-Irish Bank Doubles Losses

Leading Chinese Economist: Forget GDP; China Must Develop

Euro Crisis: Anglo-Irish Bank Doubles Losses

Sept. 1 (EIRNS)—The nationalized Anglo-Irish Bank posted record losses of EU8.2 billion, and revealed that the Irish government was forced to inject a further EU8.58 billion into the bank to prop it up. Total state support to Anglo-Irish is now EU22.9 billion. This is a giant volume for Ireland, which has a GDP of EU179 billion. Last week, S&P forecast a total bill of EU35 billion.

An Irish journalist source told *EIR* that the government wished to liquidate Anglo-Irish, but that this would involve costs and, above all, "systemic risks." Thus, the government is now thinking about a "good bank/bad bank" solution which, they estimate, could limit costs to EU25 billion. Ireland already has a deficit that is 20% of GDP, and even such a "limited" cost would increase the deficit markedly. The source agreed with *EIR* that a real solution would be a Glass-Steagall regulation. Even though Anglo-Irish is a commercial bank, its mortgage loan activity has been financed by the securitized ABS market, which is not a Glass-Steagall standard; therefore, a Glass-Steagall reform would establish what part of its debt fits to a commercial standard and which not.

Leading Chinese Economist: Forget GDP; China Must Develop

Aug. 30 (EIRNS)—China should stop obsessing about GDP growth and should not be taken in by international claims that China has now surpassed Japan to become the world's "second-largest" economy in GDP terms, economist Liu Fuyuan was quoted saying by *People's Daily* on Aug. 30. The real question is economic development, he said. Liu Fuyuan, former deputy director of the Academy of Macroeconomic Research under the National Development and Reform Commission, has focussed his work on long-term development strategy for China, especially the interior regions.

China previously took GDP as a core indicator, Liu told *People's Daily*. The relationship between economic growth and economic development has not been dealt with well, he warned. "We should prevent a few people from grasping at the interests of GDP growth that belong to the entire country," he said.

China should spare no effort to improve the quality of GDP, Liu Fuyuan said. The country should stay calm, despite

claiming "second place," because a large GDP does not mean a powerful country or wealthy population. China's per-capita GDP is still below 100th in the world, at about \$3,500 a year.

Current GDP growth in China is still largely driven by foreign businessmen, investments and foreign trade, he said, with the share produced by the Chinese people rather low. A lot of profits are being taken away by foreigners, Liu said. "The surplus value always flows from weak countries to strong countries. Overall, China is still a developing country in spite of its large GDP." China must adopt a people-oriented development pattern, raising living standards for the whole nation, Liu said. "We should promote the growth of investments and GDP through stimulating consumption, thereby accelerating industrial restructuring and raising the quality of GDP. In order to fulfill the important role of consumption, China's distribution system must be improved," Liu said. China has one of the most extreme income gaps in the world, a severe and growing economic and social problem.

United States News Digest

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New York Times Jumps into Fleet Street Tabloid Wars vs. Murdoch

Sept. 5 (EIRNS)—The *New York Times Magazine* today featured a detailed exposé of how one of Rupert Murdoch's English tabloids, *News of the World*, got caught spying on members of the British royal family. Lyndon LaRouche commented that, while there is nothing new in the *Times* piece, it is an indication of deep factional splits in the British Commonwealth Establishment, including the Wall Street crowd that runs the *New York Times*. Since Murdoch took over the *Wall Street Journal*, the warfare between the *Times* and the *Journal* has intensified, as has Murdoch's recent escalation against President Obama, through all of his media outlets, including Fox News. A faction of the British intelligence apparatus has decided that Obama is an albatross it doesn't care to have around its neck.

The *Times Magazine* piece, based on an exhaustive investigation of events going back to 2005, revealed that a reporter for *News of the World*, employing a private investigator, was hacking into cell phone voice messages of Prince Harry, Prince William, and the staffs of the two young royals. Scotland Yard launched a probe into the hacking and confirmed the charges, identified both the reporter and the private eye, and found evidence of many other instances of phone message hacking by other reporters for the Murdoch tabloid. However, Scotland Yard restricted its probe to the reporter and the private eye, because of close collaboration with Murdoch.

There is now a string of lawsuits pending over the alleged hacking, and the *Times* is clearly trying to stir the pot against Murdoch. The head of *News of the World*, when all of this hacking was going on, was Andy Coulson, who recently left the newspaper to become the chief media liaison for Britain's Prime Minister David Cameron.

Some Democrats Oppose Obama on Social Security Cuts

Sept. 3 (EIRNS)—In private discussions with Democratic Party insiders during his Martha's Vineyard vacation, President Barack Obama made it clear that he is all for trashing Social Security, which is a top agenda item of the Simpson-Bowles National Commission on Fiscal Responsibility (aka the "Catfood Commission"). In response, some Democrats are taking preemptive moves to block any changes in Social Security. The Congressional Progressive Caucus is circulating a "Dear Colleague" letter, to be sent to President Obama, vowing to block any changes; firedoglake.com reported yesterday that they are considering introducing a privileged resolution when the House briefly reconvenes on Sept. 14, to shut off the option altogether.

On Sept. 2, Sen. Bernie Sanders (I-Vt.) penned an op-ed for *Politico*, citing a recent Congressional Budget Office report that the Social Security Trust Fund is fully solvent, at current payment levels, through 2039. Sanders denounced any proposed changes such as privatization or raising the retirement age. He noted that, if the maximum income taxed for the Social Security Trust Fund were raised from the current \$106,800 a year, the fund would be solvent into the indefinite future.

An even more powerful argument was presented in a New York *Daily News* op-ed today by Steve Hill, who called for doubling of Social Security benefits. A recent New America Foundation study showed that retirees from the lower 50% income brackets rely on Social Security for 84% of their retirement income. In the past, Social Security was seen as one leg of a three-legged stool, which also included pensions and personal savings, usually in the form of home ownership. Pensions are gone for the vast majority, and home values have crashed, while foreclosures have skyrocketed; therefore Social Security is, for many, the only source of retirement income.

Pelosi's Dictatorial OCE Strikes Again

Sept. 2 (EIRNS)—House Speaker Nancy Pelosi's (D-Calif.) unconstitutional Office of Congressional Ethics (OCE) struck again this week, filing vague charges of "appearance of impropriety" in fundraising against three Congressmen. Five others were "cleared" in this latest OCE case, but only after their reputations had been dragged through the mud.

Until now, the OCE, set up, as *EIR* has documented, as a private hit squad for the financier interests, had focussed its fire on members of the Congressional Black Caucus. Now the message is being delivered that no Congressman is immune. The dictatorial methods wielded over the past ten years of Bush-Obama government are expanding, terrorizing Congress, that any one who crosses the Administration can see his or her political career ended by little more than innuendo.

Reps. John Campbell (R-Calif.), Joseph Crowley (D-N.Y.), and Tom Price (R-Ga.) were informed on Aug. 30 that the OCE had formally recommended that the House Ethics Committee open investigations against them for "appearance of impropriety" in fundraising—not for breaking any law, but for allegedly having "solicited or accepted contributions in a manner which gave the *appearance* that special treatment or access was being provided to donors or the appearance that the contributions were linked to an official" (emphasis added).

Here you have the OCE, set up with money and personnel from Nazi-trained, drug-running speculator George Soros, charging Congressmen with holding fundraisers at which representatives of financial interests were present, while Congress was considering Wall Street's financial reform bill. That's chutzpah!

Rep. Frank Lucas (R-Okla.), who was cleared, declared, in an angry letter to the OCE, released after charges had been dropped against him: "If holding a general fundraiser while Congress was in session voting on legislation that went through one of my committees, is in violation of House Ethics Rules, then that is a broad new limitation on Members' fundraising activities," based on allegations of what constitutes "appearance of impropriety."

Murder-Suicides Increasing with Breakdown

Aug. 30 (EIRNS)—There have been five murder-suicide incidents in the past two weeks, resulting in ten deaths, in Las Vegas alone. The latest victims, 74-year-olds Donald and Barbara Romano, were found dead in their multimillion-dollar home. The two were heavily involved in real estate marketing. Their daughter confirmed that economic woes were behind their deaths, telling the *Las Vegas Regional Journal*, "Their financial situation was not good." The local homicide investigator says that there has been a sudden increase in financially connected fatalities.

Nationally, statistics on murder-suicides are non-existent, according to the Washington, D.C.-based Violence Policy Center. You see, in the infinite wisdom of the statistician, the murders are tracked by the FBI, while the suicides are tracked as a mental-health issue. Last year, however, a group of U.S. and European "scientists" combed the records in Western European vaults, and concluded that for every 1% increase in unemployment, there was a 0.8% increase both the murder and suicide rates (again, figures compiled separately). However, for a larger, 3% increase in unemployment, suicides jumped 4.5%.

Psychologists have developed a category of crime called "familicide," in which one parent kills the other, the children, and then him or herself. Anecdotal evidence suggests that this phenomenon is on the rise.

Federal Homeless Figures Sorely Deficient

Aug. 30 (EIRNS)—Figures presented by the U.S. Department of Education indicate that figures provided by the U.S. Department of Housing and Urban Development (HUD) vastly underestimate the problem of homeless families. The National Association for Education of Homeless Children and Youth has a new report out, saying that, according to the National Center of Education Statistics, "the number of homeless children and youth (preK-12) increased from 679,724 students in the 2006-2007 school year, to 956,914 students in the 2008-2009 school year," close to a 50% increase in just two years. The HUD's figure for total homeless individuals is 643,067.

Ibero-American News Digest

Fidel Castro Gets Briefing on NAWAPA

Brazil and Argentina Strengthen Nuclear Energy Cooperation

Fidel Castro Gets Briefing on NAWAPA

Aug. 30 (EIRNS)—Daniel Estulin, the Spain-based journalist who has prominently posted LaRouchePAC's NAWAPA interactive map and LPAC Basement Team articles on his website, on Aug. 26 posted the following blog entry:

"I'm in Cuba. I met with Fidel Castro today. The meeting lasted about three hours, meal included. Among the many subjects addressed, I transmitted to him a private message from Meta Groups, composed of agents from the world of espionage, about the situation the world is in, and the role that the Comandante [Castro] can play to help in the struggle....

"The meeting with Castro had various important facets, because I was carrying messages for him from U.S. congressmen, messages that it was very important to transmit....

"One of the messages had to do with the role of Cuba in the NAWAPA project. That project is the future of the world. In terms of technology, it is the frontier of mankind's intellectual capacity. [Water] transfer, which would bring progress not only to the more developed countries of North America, but to the Southern Cone, Central America, Cuba. Castro's role in this regard is very important, because many people in this part of the world admire and value him."

Brazil and Argentina Strengthen Nuclear Energy Cooperation

Sept. 4 (EIRNS)—Nuclear energy experts from Brazil and Argentina met in Buenos Aires during the last week of August, to discuss cooperation in the field of nuclear energy. Among those present were representatives of the Binational Nuclear Energy Commission (COBEN), the Permanent Nuclear Policy Committee (CPPN), as well as officials from the nuclear energy commissions of both nations, Argentina's CNEA and Brazil's CNEN.

Argentina's President Cristina Fernández de Kirchner and her Brazilian counterpart Inácio Lula da Silva met in July in San Juan, Argentina to affirm that their two nations would cooperate closely on nuclear energy development, and emphasized the "inalienable right" of all nations to develop nuclear energy for peaceful purposes. The next bilateral meeting to further cooperation will take place in Rio de Janeiro in October.

One topic of discussion at the Buenos Aires meeting was the project to jointly design and build two nuclear reactors, one for each country. Vera Machado, Under-Secretary General of Brazil's Foreign Ministry (Itamaraty), told *Correio do Estado* that "the cooperation we're discussing can be broadened to various other fields, depending on the opportunities that research offers once the reactors are ready. From a political standpoint, we are committed to continuing our nuclear cooperation."

Brazil is particularly interested in developing the capability to produce radio-isotopes for medical purposes, and expects to have its own Multipurpose Brazilian Reactor (RMB) ready for operations by 2016, for that specific purpose. Brazil was badly affected, as were many other countries, when the world's chief supplier of Molybdenum-99, Canada's Chalk River MDS Nordion reactor, was shut down in May 2009. Argentina, which does have the ability to produce radio-isotopes, immediately increased its production of this key element used in nuclear medicine, and was able to supply part of what Brazil's Nuclear Energy Research Institute (IPEN) needed.

Western European News Digest

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Ireland in Forefront of Transatlantic Crisis

Sept. 3 (EIRNS)—Ireland is currently the front end of the euro section of the Transatlantic crisis. It is becoming clearer by the day, that the Irish government has no chance of facing the immense debt burden of Anglo-Irish Bank and of the other liabilities of the national banking system. People are starting to realize that it doesn't matter how much Ireland cuts its budget: The bank bailout is unsustainable.

On Aug. 31, Anglo-Irish Bank said it needs another EU25 billion—which is two-thirds of the national tax revenue. So far, the bailout of the Irish banks has included a direct government injection of EU33 billion, and another EU13 billion of toxic assets put into the Irish "bad bank." If you add the above EU25 billion, then the total becomes EU71 billion, which doesn't include whatever other bailout that banks might need, in addition to what they have gotten already. Banks' balance sheets continue to be filled with toxic mortgages.

Under the headline, "In Ireland, Dangers Still Loom," Peter Boone and Simon Johnson wrote yesterday in their *New York Times* Economix blog, that what is blocking a default procedure in Ireland, is "a strong lobby of real estate developers, the investors who bought banks' bonds and politicians with links to the failed developments (and their bankers)." They also write that "Ireland, simply put, appears insolvent under plausible scenarios with current policies."

An informed Irish source told *EIR* that the Irish government is looking with hope at the German initiative for a European-wide insolvency law. At EU home-base in Brussels, the procedure is stalling, he said, but he is convinced that "as soon as volatility is there again, the bill will be back on the table."

'A Sea of Financial Bets' Is Being Built Against Italy

Sept. 3 (EIRNS)—A journalist for the Italian daily *Il Riformista* looked into some balance sheet reports, and found out that Italy is being singled out as the largest target for credit default swap (CDS) bets globally. And leading these bets is George Soros, who led the assault on the Italian currency in the 1990s!

With \$240 billion, Italy is currently the largest target of CDS contracts, accounting for 10% of the global market. The rush to Italian CDS has accelerated since March, going from 5,600 contracts to 6,600. The players fall into two categories: the banks that sell them and the speculators who buy them, i.e., those who bet against Italian debt.

There are 17 banks involved: Bank of America, Merrill Lynch, Barclays, BNP Paribas, Calyon, Citibank, Crédit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JPMorgan, Morgan Stanley, Natixis, Nomura, Royal Bank of Scotland, Société Générale, and Unicredit. The purchasers are: Paulson, Soros, Moore, Citadel, and China Investment Corporation.

Insurance against an Italian default costs \$236,000 for a \$10 million five-year bond. It is as high as during the apex of the Greek crisis in May.

French Employers Leader Demands Fascist War on Trade Unions

PARIS, Sept. 4 (EIRNS)—The time is ripe for open fascism. That is clearly the opinion of former head of the National Council of French Employers (CNPF), Yvon Gattaz. In the latest edition of the magazine *Commentaire*, No. 130, founded by the Congress for Cultural Freedom's neocon Raymond Aron, Gattaz asks in the headline, "Isn't the End of Trade Unions Desirable?" The shameless answer he gives is yes. Trade Unions, he writes, "have only survived thanks to two incredibly resistant spiderwebs that support them, still: politics and the media."

Inspired by former British Prime Minister Margaret Thatcher's "historical battle," Gattaz says that, today, "the corporate

performance is inversely proportional to how much they are unionized." Whence it follows, "logically," that as far as unionized labor is concerned, "its elimination is economically compelled."

Czech Republic Takes Lead in Reviving Nuclear

Sept. 2 (EIRNS)—The Czech Republic is looking towards the future, announcing plans to build five nuclear plants.

The state power company, CEZ, has announced two new nuclear reactors to form a cluster with the existing Temelin nuclear power plant, but in addition, Vaclav Bartuska, the Czech Ambassador at Large for Energy Security and the Government commissioner for the completion of the Temelin nuclear complex, said on Aug. 31: "In 2007 the decision was made to issue a tender for two nuclear reactors, plus a possible three more.... This is right now the biggest tender in Europe and one of the biggest in the world."

Over the years, the Czech Republic's Temelin nuclear power plant had been under attack from Austria, which is ostensibly worried about Temelin's safety. The plant has been a frequent source of friction with Austria, where protesters have blocked border crossings and where politicians opposed to the plant sought to block the Czech bid to join the European Union. Such is the level of cooperation within the EU.

CEZ has shortlisted three different contractors to bid for the Temelin reactors. Three reactor manufacturers are Westinghouse, Skoda JS, and Areva. Westinghouse and Skoda JS have said that they will source 70-80% of the plant manufacturing work inside the Czech Republic.

Greens Oppose German Nuclear Moves

Aug. 30 (EIRNS)—The German government is saying that it will extend the lifetime of existing nuclear power plants by 10-15 years, which is what Chancellor Angela Merkel said on national television yesterday, as being the time frame "that is reasonable in terms of the facts." That would push the legally mandated final exit date from nuclear from the year 2021 to 2036. The exit as such is not contested by any parliamentary parties, and not even by the nuclear power industry so far, unfortunately.

The German government also plans to force concessions from industry, in return for the extension of reactor lifetime: a nuclear fuel rod tax, additional measures to protect reactors against air crashes, and payments into a national fund for the development of renewable energies. Actually, that will ensure that, of the estimated EU4-5 billion profit which the power industry will have annually from having extended licenses for the reactors, not much will remain in the hands of the nuclear power operators for reinvestment.

And the anti-nuclear camp, prominently including leaders of the Greens, the Social Democrats, and the Linkspartei (Left Party), is threatening a no-limit escalation to stop what they call "nuclear insanity" and keep Germany tied to the real insanity—the final exit from nuclear in 2021.

Tony Blair Unwelcome in Ireland

Sept. 4 (EIRNS)—Former British Prime Minister Tony Blair kicked off his book tour in Dublin, Ireland, today, where an estimated 200 anti-war protesters greeted him with chants of "arrest the butcher Blair," and "Hey, Hey Tony, Hey, how many kids have you killed today?" Four protesters were arrested for hurling a shoe, eggs, and other projectiles in Blair's direction, though nothing hit him.

The night before, Blair was greeted by about 50 protesters outside RTE studios where he appeared for his first TV interview since his book, *A Journey: My Political Life*, was published. Perhaps because of the protesters, the RTE interview had the temerity to ask Blair if he believed he was a war criminal. Blair replied, according to AFP "Of course, I don't believe that."

The London *Guardian* speculates that Blair chose to begin his book tour in Ireland because he thought he would get a better reception there because of the Northern Ireland peace secured during his time in office. It appears that he may have miscalculated just a bit.

Russia and the CIS News Digest

Putin Drives Far East Highway, Dedicates Cosmodrome and Pipeline

Putin: Far Eastern Russia Will Benefit from Prosperous China

Russia and China Broaden Their Nuclear Power Cooperation

LaRouche Address 'Best of the Best' at Ukrainian Student Festival

Putin Drives Far East Highway, Dedicates Cosmodrome and Pipeline

Aug. 30 (EIRNS)—Russian Prime Minister Vladimir Putin has been on a strategic tour of Siberia and Russia's Far East since Aug. 23, visiting Kamchatka, Yakutia, and, via the new Khabarovsk-Chita highway, the Amur and Trans-Baikal regions. The focus of his visit is infrastructure and enhancing the living standards of the region's sparse population—both issues which are critical to creating the economic base to build such great projects as the Bering Strait tunnel.

For four days, Putin drove on a 2,500-km stretch of the new Khabarovsk-Chita highway, the first paved road to link the Far East to the rest of the nation. He stopped off to lead a meeting at the construction site of Cosmodrome Vostochny on Aug. 28, and yesterday, launched the Russian section of the Russia-China oil pipeline. Putin said he undertook the long drive "to see with his own eyes how the people live in the Far East," and to discuss with the people who live and work in this vast region such problems as high food and gasoline prices, housing, and health care, Xinhua reported today.

Before he left Khabarovsk on Aug. 27, Putin said that the "constructed highway is not an ordinary event for Russia. I don't want to use bombastic words, but, all the same, this is a salient event for Russia, and has even historic meaning. Our country, occupying the largest territory in the world, has never been connected from the west to the east with a highway," he said. Over the last century, Russia has built railroads to connect the Far East to the rest of Russia, for strategic and military reasons, inclusively, Putin said.

Economic life develops around projects of this kind, Putin said. "We plan to build there several major projects. These are a hydropower station and a future cosmodrome." On Aug. 28, Putin drove to the construction site of the Vostochny National Cosmodrome project at Ulegorsk, Amur Region. There, he told a meeting that building the facility will reaffirm Russia's "high status and leading position" in space technology and exploration. On July 19, Putin had announced that his government would allocate almost 25 billion rubles (over \$800 million) to begin construction of the cosmodrome in earnest over the next three years.

"Construction of this facility will provide an opportunity not only to reaffirm Russia's technological status and mobilize our

intellectual resources and industrial potential," Putin told the meeting. "What is equally important, the project will enable hundreds and perhaps thousands of professionals and, above all young professionals, to express themselves and their talents and realize their most ambitious plans. And, of course, building this spaceport will serve as a good, solid push for the development of the Far Eastern region of the Russian Federation.... Simultaneously with the creation of technological infrastructure, and perhaps at an even faster pace, we will need to address social problems. A new, modern city that is comfortable in all respects must be built."

Yesterday, Putin met Zhang Guobao, head of China's National Energy Administration, in Skovorodino, Amur Region, for the opening ceremony of the China branch of the 4,000-km pipeline to deliver oil from eastern Siberia to Daqing, China. "This project is important for our Chinese friends and for Russia," Putin said. "For China it means stable supplies and a better energy balance, and for us, it means access to new and promising markets in the Asia-Pacific region—in this case, the very promising and rapidly developing market of China." The new pipeline marks an important step to diversify its energy partners, now heavily concentrated in Europe, to the Asia-Pacific Region, he said. "Our cooperation with China, of course, is not limited to hydrocarbons. Our military-technical cooperation is valued at hundreds of millions of dollars. We are also expanding the supply of machinery and equipment from Russia. Regarding energy, Russia is probably China's main partner in the field of civilian nuclear energy, and here the delivery of Russian equipment is valued in the billions of dollars. By the way, our cooperation with China in this sector [nuclear energy] is multilateral," also involving European partners, including Germany's Siemens, he said. But for Russia, most important is that which helps the eastern regions of Siberia and the Russian Far East to develop.

Sergei Kiriyyenko, head of the Rosatom Nuclear Energy State Corporation, said today that Russia and China will cooperate to build commercial fast breeder reactors, Itar-Tass reported. In July, China had launched an experimental fast breeder built with Russian cooperation, as agreed during Putin's visit to China in October 2009, and the two nations should sign a contract by November to build another two experimental fast breeder reactors, he said.

Putin: Far Eastern Russia Will Benefit from Prosperous China

Aug. 31 (EIRNS)—The growing prosperity of China will benefit the development of Far Eastern Russia, Prime Minister Vladimir Putin told the state-owned Russian news channel Rossiya 24 yesterday. Putin spoke during his marathon road trip inaugurating the Khabarovsk-Chita highway, the first-ever paved road to link Far Eastern Russia to the rest of the nation. It is up to Russia to develop these neglected regions, Putin said; in that situation, having a prosperous and flourishing neighbor is an advantage.

Both Moscow and Beijing have been developing strategic plans for regional cooperation between Northeast China and the Russian Far East Area and Eastern Siberia, and this was on the agenda of Putin's groundbreaking visit to China in October 2009. This huge region of Russia is rapidly losing population and suffers from totally inadequate infrastructure; China's Northeast, 50 years ago the leading industrial region, has become an industrial "rust belt."

The issue was raised by the interviewer's questions about the economic growth of northeast China, just across the Amur (Heilongjiang) River—and assumptions that "the conditions of our neighbor [China] are becoming constrained because of a fast growing population." Putin said that he did not think that the growth of towns and cities on the Chinese side of the river border, is a result of "China's economic expansion.... China's northern regions are growing now not because of constrained conditions in the country, but because the Chinese government is implementing consistent policies for the economy and for the ethnic composition of its northern territories. I think that we [Russia] will eventually benefit from this, provided we choose an appropriate policy. It makes more sense to have a prosperous and flourishing neighbor than a poor and ailing neighbor who needs permanent attention."

Cooperation with China is not just in selling oil and electricity, Putin said. "Do not forget that we also sell millions, and

possibly billions of dollars worth of special equipment and armaments to China, which are high-tech products. Russia should not compete with China in the production of cheaper consumer goods. We are unlikely to win such a competition. Our competitive advantage is different: high-tech products. I have no doubt that we have a good chance of succeeding if we continue our development and progress along this path."

Russia and China Broaden Their Nuclear Power Cooperation

Sept. 2 (EIRNS)—During a meeting of government and industry officials from both countries held this week in Beijing, Russia and China agreed to substantially broaden their cooperation in civilian nuclear energy development. China has expressed interest in the small floating nuclear plants that Russia is starting to manufacture, as one of seven areas of cooperation. According to Rosatom head Sergei Kiriyenko, a working group will be set up to assess floating plant prospects for export to China.

Also included in areas of cooperation are exploring for uranium mines, closing down old plants, and, "developing markets abroad," according to Reuters. Russia has reorganized, consolidated, and is modernizing its nuclear manufacture industries, positioning itself for greatly expanded export of nuclear power plants. In the future, China could be in a position to power up export of its indigenously developed reactors.

LaRouche Address 'Best of the Best' at Ukrainian Student Festival

Aug. 31 (EIRNS)—Lyndon LaRouche's video address to the Ukrainian youth festival Student Republic-2010 was played at its closing ceremony Aug. 24, and was chosen as the "best of the best" by a panel of Ukrainian and Russian experts attending the event, including political analysts, historians, and others. (His video is at <http://www.larouchepac.com/node/15554>.)

The annual Student Republic youth festival is attended by hundreds of youth from all over the country, who have been selected through regional conferences organized around the concept of leadership for Ukraine over the next 40 years.

A Student Republic festival organizer noted that the participants considered it very important that LaRouche had taken the time to address this event, and with such a pithy, hard-hitting statement. The students were shocked by his bluntness, but, "he said true things." LaRouche told the Ukrainian youth that the time for decision is now; he described the hyperinflationary policy of the U.S. Fed; and he introduced his concept of an international NAWAPA to the group.

Southwest Asia News Digest

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Petraeus Waging Information Warfare Against the American Public

Sept. 4 (EIRNS)—Over the past couple of weeks, a new facet of Gen. David Petraeus's strategy to "win" the war in Afghanistan has emerged, and it's aimed, not at the Taliban, but at the American people. Petraeus, the U.S.-NATO commander in Afghanistan, is now trumpeting special forces operations, in a way that was never done at the height of the surge in Iraq, "to try to convince skeptics that the war can be won," reports Associated Press. Petraeus told reporters in Kabul, traveling with the chairman of the Joint Chiefs of Staff, Adm. Mike Mullen, that special operations missions killed or captured 235 militant leaders in the last 90 days, killed another 1,066 rank-and-file insurgents and detained another 1,673, during the same time period "to demonstrate the Taliban and their allies are also suffering losses as NATO casualties rise," again in the words of AP. Such numbers were never discussed in Iraq, because of lingering memories of the body counts of the Vietnam War.

The NATO force is also claiming that intelligence indicates that the Taliban are losing in Helmand province, including Marjah, that their morale is down, and that there are conflicts between Taliban forces on the ground and the Taliban leadership safely ensconced in Quetta, Pakistan. However, despite these claims, improvised bomb attacks are actually on the rise, and the Taliban has been gaining strength in other parts of the country. Even in Marjah, Maj. Gen. Richard P. Mills, the U.S. commander in Helmand province, admitted on Sept. 2, during a teleconference with reporters at the Pentagon, that Marjah was "still a work in progress," and that it would be some months before it is fully secure.

Petraeus's information strategy stems from the 2006 counterinsurgency manual (of which he oversaw the production), which calls on counterinsurgent leaders to carry out "information operations" to "obtain local, regional, and international support for COIN [counterinsurgency] operations."

Peace Talks in Washington; Violence in the West Bank

Sept. 2 (EIRNS)—Secretary of State Hillary Clinton and Middle East envoy George Mitchell hosted a 90-minute negotiating session with Israeli Prime Minister Benjamin Netanyahu and Palestinian Authority President Mahmoud Abbas today. The session was followed by a private one-hour Abbas-Netanyahu meeting. After the sessions, it was announced that peace talks between Israel and the Palestinians will resume on Sept. 14-15, in Egypt (probably at Sharm el-Sheikh), and that talks between Abbas and Netanyahu will take place every two weeks after that. The timetable for reaching a final agreement is one year.

While this was playing out in Washington, on the ground in the West Bank, the prospects for peace were already unraveling. For the second day in a row, Israeli settlers were ambushed by armed assailants. On Sept. 1, four settlers from Hebron were killed in a barrage of gunfire. Some Hamas officials have claimed credit for the attacks, although it is not clear whether those claims are accurate, or whether they represent a split in the organization. A well-informed U.S.-based source, with close ties to Hamas, indicated that he expected the two consecutive days of attacks would continue, and could represent a new strategy of armed confrontation with the illegal Israeli settlers.

The same day that the attacks were taking place, the Yesha Council, the governing body for the West Bank Jewish settlers, announced that construction of settlements would resume immediately at 80 locations, thus preemptively ending the temporary settlement freeze that Netanyahu had agreed to, and which expires, officially, on Sept. 26. In a statement issued by the Prime Minister's office as the Washington talks were underway, Netanyahu said that it would be impossible to extend the settlement freeze, since the status of the West Bank settlements is one of the final status issues, being negotiated. Abbas has made clear that, if the settlement expansion resumes, he will walk out of the talks immediately. And he may have no choice. According to news accounts, Abbas barely got permission from the PLO governing body to attend the Washington session and resume direct talks with Netanyahu; and if Netanyahu fails to extend the settlement freeze, the PLO will withdraw the authorization for Abbas to negotiate.

Blame Game, Not a Summit

Sept. 3 (EIRNS)—One day after Secretary of State Hillary Clinton told Israeli Prime Minister Benjamin Netanyahu to extend the moratorium on building settlements in Palestinian territories, until the end of the year, so that direct talks could continue, Israeli Ambassador to the United States Michael Oren made very clear in a teleconference briefing to the Jewish Federation of North America, that the whole so-called peace process is nothing but a "blame game" set-up. Oren emphasized that the settlement freeze was a "one time, unprecedented" offer designed to lure the Palestinians to the negotiating table, and even though Israel knows that Palestinian Authority President Mahmoud Abbas might not survive a resumption of settlement building, Israel will not bend on this "core issue," and instead will come up with "other ways to incentivize" talks.

In a blunt and psychopathic description of the British-blessed Likudnik policy, Oren said that the settlements are a core issue, and part of Israeli "security," which is the "corest of the core." Each time that Israel withdrew from territory—from Lebanon and then from Gaza—what was created was a terrorist bastion, Oren claimed. Hamas created a "terrorist mini-state" in Gaza, and there was a "near takeover" of Lebanon by Hezbollah.

So, settlements are part of the security issue, and "security" is the "*sine qua non* of peace." While lying that Israel has gone into the talks with "no prior" demands, in the next breath Oren enumerated the "*sine qua non*" for peace: Palestine will be a demilitarized state; such a state will never have an air force; this state will have no arsenal of rockets, such as Hezbollah or Hamas has today; and such a state will not be allowed to have any treaties with "hostile" countries such as Iran.

When reminded by a questioner that settlement closure is not a Palestinian demand, but a condition of the Road Map, Oren basically declared the Road Map to be *over*, because of "new issues": the rise of Iran, the Hamas takeover of Gaza, and the "near-takeover" of Lebanon by Hezbollah. If the Palestinians want to play the Road Map, Oren said, Israel could immediately come up with counter-charges—especially that the Palestinians have not shut down the terror apparatus.

And in what could be read as marking President Abbas for death or overthrow, Oren boasted that the terrorist incident perpetrated in Hebron by Hamas illustrates that Israel and the moderate Palestinians of Abbas have a "common" enemy, since Hamas has marked not only Israelis, but also moderate Palestinians for terrorist attack—an assertion which is mostly false, but has enough substance to tip off the Israeli game of trying to provoke civil war between Palestinian factions.

Oren's ravings *are* the Israeli position, but are so contrary to every prior agreement and UN Security Council resolution that these are guaranteed to scuttle the talks—leaving the Israelis to claim that they are the peacemakers, while the Palestinians walked out.

Is Dennis Ross the Architect of an Oslo II Swindle?

Sept. 4 (EIRNS)—A well-informed Egyptian source characterized the Sept. 2 Palestinian-Israeli summit as an "Oslo II" swindle, devised by White House Middle East director Dennis Ross. According to the source, Ross proposed the year-long negotiating process, to end with an agreement that will nominally create a Palestinian state over a ten-year period. But, as was the case with Oslo I, as Israeli Prime Minister Benjamin Netanyahu well knows, "events on the ground" can be used as the pretext for sabotaging any actual two-state solution. Obama will play this as a "diplomatic triumph," and the Administration will pressure the Sunni Arab states to normalize with Israel—in preparation for possible military action against Iran. The source added that, even the leaking of the Netanyahu "off microphone" boasting about how he had sabotaged Oslo I, and shafted the naive Americans, was a carefully scripted Mossad leak, intended to remind the Israeli hardliners that Netanyahu had not changed his stripes.

Of course, not everyone in the Obama Administration, nor in the Israeli institutions, is as jaded as Ross. But the Egyptian report is probably a fairly accurate assessment of Ross's intent. And the mere presence of Tony Blair as the so-called

Quartet peace emissary assures that the British will be playing their usual Sykes-Picot wrecking games.

Asia News Digest

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Afghan Taliban Within Striking Distance of Kabul

Sept. 1 (EIRNS)—Despite brave words issued from the White House and from U.S./NATO commander Gen. David Petraeus, the Afghan insurgents have taken control of Wardak province, only 22 miles away from the nation's capital, Kabul.

A senior security official in the local government who spoke to the Institute for War and Peace Reporting (IWPR) on condition of anonymity, said the insurgents were effectively in control of nearly all villages in Wardak, apart from district centers, where officials exercise ever-diminishing authority from heavily guarded offices behind fortified walls. "Government officials cannot go outside the walls of their offices, and people don't ask them to deal with their issues, preferring the Taliban," he said. "This shows that the government has no authority and that more than 80% of the region is under Taliban control."

Assadullah Wahidi, a political analyst and chief editor of the *Sarnawisht Daily* newspaper, said the growing insurgency in the province was a result of failed policies. "The government was unable to work for the people of Wardak, and it lost their support. The gap between the people and the government is widening every day," he said. Wahidi believes Wardak is being targeted by the Taliban because of its proximity to Kabul, allowing them to demonstrate their power to the government and international community.

For local people, there is little doubt about who is calling the shots in Wardak. Mirwais, a shopkeeper in the Salar bazaar, said the Taliban recently killed a driver who had been transporting material for American forces, but no one dared bury the body.

China Is Railroad-Builder in Iran, Thailand, South Africa

Aug. 31— China's role as a railroad builder is spreading rapidly around the world. Iranian Minister of Road and Transportation Hamid Behbahani said today that China and Iran on Sept. 12 will sign the final agreement to build a rail network in the western part of Iran. The network, which is expected to be finished in two and a half years, will connect Tehran to the central cities of Arak, Malayer, Hamedan, the western city of Kermanshah, and the border town of Khosravi. Iranian officials said that the railway lines will be expanded to Iraq and connect to Syria and Mediterranean countries.

China is also engaged in talks with South Africa about building a high-speed link between Johannesburg and Durban. A memorandum of understanding has reportedly been signed for rail projects in general.

In Thailand, the Cabinet has approved a plan for a joint Thai-Chinese project to build the Thailand portion of the "Asian Railroad" from Singapore to Kunming. (Parliament must also give approval.) The project would start with a line from

Bangkok to Nong Khai on the Thai/Laos border. Subsequent construction would extend the line south through Malaysia to Singapore, and north through Laos to China's Kunming. It will be a high-speed project, if Thailand agrees to the rail standards set in China for high-speed trains.

Korea High-Speed Rail Plan: One Big City

Sept. 2 (EIRNS)—The Korean Government announced its strategic plan for the Korean Train Express (KTX) high-speed networks, to the Presidential Council on National Competitiveness and other bodies.

Korea's current KTX system, which connects the capital Seoul with the two major southern cities, Busan and Mokpo, will be expanded to completely unify the country. "84% of the Korean public will be able to use bullet trains enabling them to travel to 82% of all locations in the country in less than 90 minutes and 95% in less than 2 hours," according to Hong Soon-man, director of transport policy at the Ministry of Land, Transport and Maritime Affairs. Thus, "The entire country will essentially become one big city."

The railroad expansion will be rolled out in stages between 2014 and 2020. Initial speeds will be 250 to 300 kph (155 to 186 mph) but will be enhanced to 400 kph.

The government also plans to develop the railway industry into a new engine of growth, and build a new generation of bullet trains capable of traveling up to 430 kph by 2012, with plans to export them overseas.

What is still missing, is the political will to expand the routes North Korea, and from there to China, Russia, Mongolia, and westward to Paris.

Africa News Digest

Food Price Increases Threaten Unrest Across Africa

Strike Wave in South Africa Threatens Entire Region

Food Price Increases Threaten Unrest Across Africa

Sept. 4 (EIRNS)—A government decision in Mozambique to raise bread prices by 30% led to riots in Maputo, the capital, Sept. 1-3, which resulted in 10 deaths, according to reports, as troops, in some cases, resorted to live ammunition.

Sharp recent increases in wheat and other food prices, resulting from speculative activity, could trigger a repeat of the 2007-08 unrest across Africa. Since African countries are, to a large degree, dependent on food imports, because the globalization policies imposed by the IMF prevent the development of infrastructure and industry, they are forced to rely on exporting cash crops, as opposed to prioritizing food production for domestic consumption. Prices of cereals, sugar, and meat are up over 15% since last year. In addition, Mozambique has recently tacked on a 10% increase of water and electricity costs.

On Sept. 2, the government announced that the price hikes are irreversible, a move which will make it more difficult to calm the situation and restore confidence in the government.

Mozambique has been taking big steps to facilitate development. In addition to recent proposed investments of \$13 billion from China, Mozambique has reached agreements to develop additional hydroelectric generating capacity, electrical transmission lines, and a huge mining development. Despite these prospects, the globalized economy has made Mozambique, along with the rest of Africa, extremely vulnerable to food price increases, and Mozambique, in particular, has not fully recovered from the effects of a prolonged civil war.

Strike Wave in South Africa Threatens Entire Region

Sept. 4 (EIRNS)—The deepening global economic crisis has provoked a wave of strikes or threats of strikes in South Africa, Africa's largest economy, as the cost of living is growing faster than earnings for those fortunate enough to have a job. Although some miners' strikes have been settled, others have not, and about 1 million civil servants have been on strike for nearly three weeks, closing schools and crippling hospitals.

The government has adopted a shopkeeper mentality, maintaining that there is no money available beyond what has been put forward in the latest offer, and that it would have to cut something else from the budget if it were to offer more to the striking civil servants. The latest offer still lags behind price increases, according to reports.

In June, the government dismantled its project to develop its world-class pebble bed modular fourth-generation nuclear reactor, saying that it was too expensive. South Africa reportedly had a ten-year advantage in this project.

The strikes, which have shut down some tire and automobile manufacturing concerns, threaten the survival of the government. President Jacob Zuma was elected with the support of organized labor. Since South Africa plays a critical role in the economies of southern Africa, if the ruling party, the African National Congress, loses its traditional alliance with labor by refusing to budge in its battle with the civil servants, the entirety of southern Africa would be destabilized as a result, beginning with neighboring Zimbabwe and Mozambique, both of which have important economic ties to South Africa.

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