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## **This Week You Need To Know**

### **LaRouche Comments on Professor Hankel and Himself**

by Lyndon H. LaRouche, Jr.

August 13, 2005

*On July 16, Professor Wilhelm Hankel, former chief consultant of Germany's Kreditanstalt für Wiederaufbau, conducted an interview, on the subject of the current unsustainability of the "Euro" system, with EIR's Lothar Komp and Michael Liebig. It was intended that I should respond to that interview by about the end of August. I do so here and now, presenting my argument in the form of a criticism of my own and Professor Hankel's expressed views.*

\* \* \*

We today are living within a failed system of world economy, a system which, so to speak, hovers now on its virtual death-bed. Thus, were there no revolutionary changes from what have been recently considered proven standards of practice by leading institutions, this civilization would soon disintegrate into a planetary new dark age. There is no way to fix this system, without removing the characteristic, principled feature which has transformed the once-successful and promising U.S.-led world economy of 1945-1946, into this miserable rotting dump of our ruined heritages today.

Essentially, this virtually global European system, as best exemplified by the design of the U.S. constitutional system, is a successful "model" which would have succeeded, for the benefit of the planet as a whole, had its principled features of 1945 persisted in their shaping of world development. However, influences alien to, hostile to the Franklin Roosevelt design for the post-war world, have reigned increasingly within the reach of the presently reigning international monetary-financial system. especially since the 1971-1972 change to a floating-exchange-rate monetary-financial system. This, thus-reigning element is the root cause of the presently onrushing destruction.

Remedies exist, even now, but they are available only at a certain kind of price. The rotten element in the world's presently reigning monetary-financial establishment must be removed quickly, or else time will soon have run out for civilization for a protracted, and awful lapse of time to come....

[\*\*...full version \(pdf\)\*\*](#)

## **Latest From LaRouche**

### **FREAK-OUT AT JACKSON HOLE**

**by Lyndon H. LaRouche, Jr.**

August 27, 2005

Even the mere hint of today's global, financial reality from Fed Chairman Alan Greenspan, and a matching side remark by former Treasury Secretary Robert Rubin, have touched off a furore of lunatic rage among the customary annual coven of wishful dreamers assembled for this weekend's annual rain-dance at Jackson Hole.

I restate, in clear text, what Greenspan and Rubin were actually thinking about as they spoke on this occasion.

Alan Greenspan took over the Fed from Paul Volcker at the point that the New York stock market had just gone through the October 1987 equivalent of what happened to Hoover in 1929. Greenspan's reign has been distinguished by his regime's bail-out strategies, which have consisted chiefly of a resort to the massive legalization of what are actually gamblers' side-bets, but are called, euphemistically, "financial derivatives" or "hedge funds," a kind of play-money which has been used as a way of papering over the effects of a major stock-market crash. About the time the unlucky, and easily duped George W. Bush, Jr. was entering office in January 2001, the beginning of a financial-derivatives-driven general collapse of the world monetary-financial system, was already in progress. Nonetheless, despite this reality, Greenspan continued to play his part in the wilder and wilder pumping up of collapsing world financial institutions by a method most fairly and kindly described as "blowing bubbles."

During the interval since the 2000 collapse of Greenspan's earlier "IT" financial bubble, the Fed Chairman and his accomplices overseas have postponed the override collapse of the world's current financial system so far, by resort to dubious schemes typified most visibly by an international hyperinflationary spiral in mortgage-based financial securities markets, such as those in the U.S.A., the United Kingdom, Australia, and so forth. A blow-out of that over-ripe mortgage-securities bubble, is the leading immediate threat to the U.S. and British banking systems, a threat of an event which would spread like wildfire throughout world markets.

As a result of Greenspan's pumping policy, since about April of this year, the entire world system has been flirting with the increasing possibility of an immediate general blow-out of the hedge-fund system. Now, as until the present international system actually blows out, that system is wobbling on the edge of something far more menacing than a mere stock-market crash like that of 1929 or October 1987.

To calm the worst fears of the panicked pack at this weekend's Jackson Hole affair, I describe the actual situation of the markets in the plain language which Greenspan and Rubin avoided on this occasion.

The world markets as a whole are gripped now by what has been an accelerating global hyperinflation with certain mathematical-functional similarities to what happened in Germany during the Summer and Autumn of 1923. This threat is immediate, and worsening at an accelerating rate, but, fortunately, the challenge is manageable, on condition that certain essential emergency reforms are made quickly. As Franklin Roosevelt once said, famously, "We have nothing as much to fear as fear itself"—or, if not fear, the kind of mass-delusions exhibited by the maenads of Jackson Hole. - The Nature of the Crisis -

The immediate problem of the world's principal financial markets has the following leading characteristics.

Greenspan's methods have amounted to flooding the financial system's current accounts through a massive infusion of financial-derivatives "Monopoly play money." The crux of the problem is, that short-term apparent returns on current

financial markets have been bought by an accelerating rate of growth of unpayable long-term financial obligations, which have been generated by Greenspan's and by similar methods used abroad. When that hyperinflationary debt-inflation, halts, the present world monetary-financial system blows apart. The relationship between apparent financial returns and long-term unpayable financial obligations is now clearly hyperbolic. The really bad news is, that the longer the market does not collapse, the worse the financial collapse becomes, that at an accelerating rate.

Wishful people who refuse to think clearly are deluding themselves, like people living on the proceeds of taking in one another's laundry, by asking one another, "Are we sure that the market will never really crash?" Asking "When" is their potentially fatal mistake; they should be asking, "How?" instead.

The best thing would be to have had the crash sooner, rather than later, but on the condition that the U.S. government were thinking clearly, and was prepared to act as Secretary Rubin and President Clinton had posed the need for international financial-system reform, back during September 1998.

The problem is that the crowd of virtual bankrupts represented at Jackson Hole are clinging so desperately to their delusion of riches, that they, like the dupes of 1923 Germany, would rather cling for another moment to their own doomed dreams, than face the reality of the urgently needed general reform.

Sometimes the worst kind of insanity is clinging to denials, as we see from the spectacle of the diabolical romp of the wild-eyed warlocks and witches assembled at Jackson Hole.

Even chief warlock of the Federal Reserve, Greenspan, can no longer charm them with his spells.

The question is, are they willing to accept a merciful path to survival in bankruptcy proceedings, or the permanent torment their continued folly of today would assure them now? The question is: "Since most of that crowd at Jackson Hole are probably hopelessly insane, and probably soon bankrupt, for the moment, what are you, John Q. Citizen, willing to do, to save your country, and, also, your own butt?"

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## Feature:

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On July 16, Professor Wilhelm Hankel, former chief consultant of Germany's Kreditanstalt für Wiederaufbau, conducted an interview, on the subject of the current unsustainability of the 'Euro' system, with EIR's Lothar Komp and Michael Liebig. It was intended that I should respond to that interview by about the end of August. I do so here and now, presenting my argument in the form of a criticism of my own and Professor Hankel's expressed views.

# Economics:

## **Why America Needs To Build Nuclear Power Plants—Fast**

by Paul Gallagher

The vague vaporings of the George W. Bush Administration about 'getting back to designing some nuclear power plants by 2010' (the President on Aug. 8 in New Mexico), are worse than inadequate to the United States' immediate need to have a sizable nuclear power construction program under way—tomorrow. The same White House which has exhaustively mounted a desperate bully pulpit trying to undo 70 years of Social Security, has done nothing more to revive nuclear power, than occasionally to indicate its generally favorable views on the subject. Combined with an increasingly deregulated, 'market-driven' power industry—which is interested in monopolizing existing nuclear power plants because they produce electricity so efficiently, but little interested in expending the capital and risk to build new ones—White House policy is aimed toward building a molehill, of perhaps two or three new nuclear plants by 2015 or so.

## **How Electricity Dereg Causes Blackouts**

by Marsha Freeman

During the Winter of 2000-01, citizens in California watched while rolling blackouts shut the lights off in their homes and workplaces. The previous Summer, the state's utilities watched while an unregulated power mafia drove electricity prices from \$30 to \$3,000 per megawatt-hour. Deregulation had opened the state to manipulated 'shortages' designed to drive up prices—and to power marketers like Enron, which made a financial killing trading on the volatility of the market. Deregulation eventually drove the state's largest utility, and the state itself, into bankruptcy.

## **Corruption in America:**

### **Big Three Execs Get Huge Pay To Ruin Auto Sector**

by Richard Freeman

Since 2000, driven by shareholder value, the Big Three global automakers—GM, Ford, and DaimlerChrysler—have fired 100,000 American workers, more than 65,000 of them skilled auto production workers. In this process, they have utterly destroyed the advanced machine-tool capacity embedded in the U.S. auto industry. This year, the process of destruction intensified, with GM and Ford walking toward the cliff of bankruptcy. Yet for their efforts, the CEOs are treated to huge compensation packages instead of more deserved long jail sentences. The chiefs of each of the Big Three—GM's Rick Wagoner, Ford's William Clay Ford, Jr., and DaimlerChrysler's recently retired Jürgen Schrempp—have each hauled in between \$10 and \$25 million in total annual compensation.

## **Housing Bubble Means Workers Can't Afford A Home Where They Work**

by Mary Jane Freeman and Richard Freeman

Most working Americans cannot afford to buy a home where they work and many cannot afford to rent there, as Federal Reserve Chairman Alan Greenspan's policies have driven up the price of homes and the rental market in the United States. A just-released national survey, 'Paycheck to Paycheck: the Cost of Housing in America,' by the Center for Housing Policy (CHP), found that 'the median price of a home rose 20% [from \$186,000 to \$225,000] in just a year and a half' ending the first quarter of 2005. Yet, 'at the same time, wages for key community workers . . . in the majority of cities nationwide remained flat.'

# National:

## **Will Senator Warner Move To Block BRAC Atrocity?**

by Carl Osgood

When the Defense Base Closure and Realignment Commission (BRAC) released its initial recommendations several months ago, this news agency denounced BRAC as a blatant 'real estate scam,' which had to be fought tooth and nail. Indeed, the BRAC plan contained so many outrageous proposals—from the proposed shutting of the technological heart of U.S. submarine capability, at Portsmouth Naval Shipyard and New London, to the shutting of the premier military hospital in the United States, Walter Reed—that it provoked an unprecedented bipartisan uproar against BRAC. Thousands swarmed to town meetings around the country, to protest the proposed shutdowns, and lawsuits were filed in Illinois, Pennsylvania, and Tennessee, to prevent the closing of vital Air National Guard locations.

# International:

## **BüSo Rallies Berliners To Stop Cheney's War Drive**

**by Muriel Mirak-Weissbach**

*What can you do to prevent a war against Iran?*

This was the question at the center of a heated debate in Germany's capital on Aug. 22, at an election campaign event of the Civil Rights Movement Solidarity party (BüSo), titled, 'Requirements for German Foreign Policy.' As BüSo candidate for Chancellor Helga Zepp-LaRouche defined it, this question must be addressed politically, and in full cognizance of the military dimensions, as laid out at the meeting in dramatic detail by Col. Jürgen Hübschen (ret.), a former military attaché at the German Embassy in Baghdad.

## **Of Moonies and 'Spoonies':**

### **Dick Cheney and His 'Spoon-Benders' Rampage in South America**

**by Dennis Small**

Aug. 25 (EIRNS) Religious hoaxster Pat Robertson used his Christian Broadcast Network telecast this Aug. 22, to issue an in-your-face call for the political assassination of Venezuelan President Hugo Chavez. "If he [Chavez—ed.] thinks we're trying to assassinate him, I think that we really ought to go ahead and do it. It's a whole lot cheaper than starting a war."

## **Interview: Anton Giulio de'Robertis**

### **FDR Wanted UN To Ensure Rule of Law**

Anton Giulio de'Robertis is Professor of History of Treaties and International Relations at the University of Bari, in the southern Italian region of Apulia, and senior analyst at the National Research Center (CNR) in Rome. He has been a consultant and Italian representative in various international institutions for security and foreign relations, such as the Atlantic Council. De'Robertis is the author of several books on the role played by President Franklin Delano Roosevelt in shaping an international agreement for peaceful coexistence and cooperation. This discussion with EIR correspondent Paolo Raimondi took place in late July in Rome. It has been translated from Italian.

## **Russia Warns of Lower Nuclear Threshold**

**by Rachel Douglas**

Russian President Vladimir Putin took the opportunity of his participation in Russian strategic force maneuvers Aug. 17, to state bluntly his opposition to the increasing readiness to use nuclear weapons. Interfax reported Putin's remarks from onboard the Navy cruiser Peter the Great: 'I think that lowering the threshold for the use of nuclear arms is a dangerous trend, because somebody may feel tempted to use nuclear weapons. If that happens, the next step can be taken—more powerful nuclear arms can be used, which may lead to a nuclear conflict. This extremely dangerous trend is in the back of the mind of some politicians and military officials.'

## **Brazil Has Cards of Its Own To Play, Too**

**by Gretchen Small**

Like the energizer bunny, the corruption scandal against President Lula da Silva's government and allied parties just keeps going, and going, and going. What started in June as a Congressional bribery scandal, had expanded to charges of illegal financing of President Lula's 2002 election by Aug. 11, only to engulf Wall Street's once-beloved Finance Minister Antonio Palocci himself, the next week. Allegations that Palocci took kickbacks from a garbage disposal company while he was a mayor in the 1990s, grew to charges that he still works for 'the trash mafia.'

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

### **Panicked N.Y. Fed Calls Emergency Meeting on Credit Derivatives**

In what Lyndon LaRouche characterized as a pure act of hysteria, the New York Federal Reserve summoned major banks, financial institutions, and governmental regulatory agencies to a Sept. 15 meeting. On Aug. 12, New York Fed president Timothy Geithner issued a letter to bank chief executives, calling on all "major participants" in the credit derivatives

market, directing them to have both "a senior business representative and a senior risk management person" attend the meeting. to attend the meeting. The letter, sent

This occurred, reported Bloomberg, "amid concern the \$8.4 trillion industry is rife with unconfirmed trades." On July 27, the Counterparty Risk Management Policy Group, a banking industry group that first met in 1999 after the collapse of hedge fund Long-Term Capital Management, issued a report calling for an "urgent" effort to tackle the "serious" accumulation of trade confirmations, and for banks to be prepared to reduce trading until the deals are confirmed.

## **Moody's Cuts GM and Ford Debt to Junk**

Moody's Investors Service lowered GM's debt rating Aug. 24 by two levels to Ba2, citing continued operating losses in North America (\$1 billion in second quarter) and challenges to restructuring for long-term viability. Moody's also cut GM's finance arm, General Motors Acceptance Corp. to junk status. The downgrades affect about \$170 billion of outstanding debt, Moody's said. Ford's debt rating was cut one level to Ba1. Ford Motor Credit Co.'s rating was cut to the lowest investment grade.

## **Ford Warns of Possible Plant Closures**

Ford Motor Co. warned of possible plant closures as part of a second major restructuring plan to be announced by the end of autumn, the *Detroit Free Press* reported Aug. 24. Chairman and CEO Bill Ford said the cost-cutting plan will be announced after the Frankfurt auto show in mid-September. He would not dismiss questions that plant closures might be in the offing. "We do have an overcapacity issue, and it's something we will address," Ford told journalists after being appointed the new chairman of the Detroit Economic Club.

## **UAW Meetings in Chicago Report Talk of Bankruptcy**

United Auto Workers vice president for GM and Delphi, Richard Shoemaker, is holding meetings in Chicago with UAW local officials at both companies from around the country. In Associated Press wires and in a *Detroit News* report Aug. 23, local presidents including James Kaster from Lordstown in Warren, Ohio, are quoted saying that Shoemaker reassured them that GM does not want to reopen the UAW contract prior to 2007, in order to cut health-care insurance costs; and that it is looking for health-care savings "in the m[illion]s, not the b[illion]s" from within the existing contract.

These comforting noises from Shoemaker were belied, however, by auto financial analysts quoted in the *Detroit News*, who said that reductions of even hundreds of millions in health-care costs, are irrelevant to the size of GM's worsening financial problem. These analysts now forecast that GM will lose \$4.6-4.7 billion in North American operations in 2005 as a whole—meaning that they expect that GM's Summer boom in sharply reduced-price auto sales, has deepened the company's losses. The *News* quoted Walter McManus of the Michigan Office for the Study of Automotive Transportation, saying that things will only get worse for GM and the UAW between now and 2007: "They need to make a deal. Their situation is not improving."

Reports from those within the meetings, said that Shoemaker in fact saw little chance that GM would pull out of its dive anytime soon. One local president reported that Shoemaker's talk included a long and detailed description of the prospective bankruptcy process, step by step—implying it for either Delphi, GM, or both. Foolishly, the UAW officialdom did not allow a presentation of Lyndon LaRouche's "retooling auto" policy, which has been urged on Congress by state legislatures and city councils throughout the industrial belt.

## **Hedge Funds Buying Up DaimlerChrysler Stock**

Hedge Funds are buying up DaimlerChrysler stock, triggering fears in Germany that the hedge funds may launch an operation against the DaimlerChrysler management, and go for a breakup of the firm, the *Wall Street Journal* reported Aug. 25. In May, DaimlerChrysler estimated that hedge funds held 10%-15% of the company's stock; now press accounts estimate their holdings at 20%.

The Swiss financial daily *Neue Zuercher Zeitung* had a full-page article the same day, reporting on deepening fears that the German government will take action against hedge funds, which is making the funds very nervous. When a similar hedge-fund assault on Deutsche Borse took place recently, it led to a call by Chancellor Gerhard Schroeder's for global regulation of hedge funds.

### **Hedge Funds Lost 2% in Second Quarter**

The hedge-fund sector shrank by 2%—\$21.6 billion—in the second quarter, as wealthy investors pulled money out. Hedge fund assets decreased from \$1.081 trillion to \$1.059 trillion at the end of June, according to data released by the Barclay Group. "We're seeing redemptions from single manager funds even as money continues to flow into funds of funds," says Sol Waksman, president of Barclay. The data show that high-net-worth investors have been selling, while institutional investors have been buying. Seven of the 14 hedge-fund sectors saw money under management decline during the April-June period.

### **More Hedge Funds Under Investigation for Fraud**

The Connecticut-based Bayou Group hedge fund, is but the latest to come under investigation into disappearing funds of investors, according to financial press Aug. 25. Clients of Bayou received refund checks which couldn't be cashed. When they called the offices of Bayou, no one was there to answer the calls. The U.S. Attorney for Connecticut, the Connecticut Department of Banking, and likely the Securities and Exchange Commission are investigating. Bayou managed \$400 million for investors.

In a related development, the SEC won a temporary restraining order against a West Palm Beach, Florida hedge fund, KL Financial Group, to halt what it called a "massive fraud," involving \$70 million in missing funds.

### **Mass Layoffs Hit Nearly 1 Million Workers Since January**

In July 2005, employers took 1,249 mass lay-off actions, hitting 131,326 workers; both figures increased slightly from June, the Bureau of Labor Statistics reported Aug. 23. During January-July, there have been 8,673 mass lay-off events, meaning a whopping 924,343 workers have filed initial claims for unemployment insurance benefits.

The auto sector—with its crucial machine-tool capacity—continues to be gutted, with 39,470 mass layoffs just in July. Manufacturing overall represented 43% of all mass lay-off events, and 56% of all initial unemployment claims filed in July.

### **Fewer Blast Furnaces Producing Steel in U.S.**

There are fewer blast furnaces producing steel in the United States now than at any time since the nationwide steel strike in 1959, according to an AP wire Aug. 23. Integrated steel production has dropped dramatically over the past 12 months, despite finished-steel price cuts, according to the president of West Virginia's Wheeling Pittsburgh Steel Corporation, Alan Page. Page said that whereas 32 blast furnaces were operating in the United States in June 2004, by June 2005 only 23

were still firing. He compared this with the low point of 19 blast furnaces operating during the 1959 nationwide strike, noting that the degree to which integrated steel producers have cut back is unprecedented.

Integrated steel production, employing blast furnaces to make structural steel and very-high-strength steel from iron ore, constitutes about half of total U.S. steel production, according to the Iron and Steel Institute. Total U.S. steel production in August was down 11% from August 2004; and production for January-August was down 6% from the same period in 2004; indicating that the fall in production is accelerating.

The cutbacks are attributed by Page and other commentators to "hoarding" orders by steel users last year, and a cutback in demand from China.

### **Durable Goods Orders Fell 4.9% in July**

Durable goods orders fell by 4.9% in July, which is the biggest drop since January 2004. When transportation is excluded, the drop is 3.2%, which is the biggest drop since April 2004. The decline was broad-based and showed up in every sector. Analysts are saying the weak demand for aircraft and military equipment and computers drove orders down.

### **New Home Prices Fall in July for Third Straight Month**

The median price of a new home fell 6.1% in July for the third month in a row, even as sales rose 6.5% to highest-ever level, according to the Commerce Dept. Aug. 24. Sales of new one-family houses jumped in July to a seasonally adjusted annual rate of 1.41 million units, surpassing the previous record set in June of 1.32 million units. However, at the same time, the median sales price of new homes fell in July to \$203,800, down from \$219,500 in June and \$212,400 in July 2004. This reflected a sharp drop in sales of homes valued from \$250,000-299,999, along with a big increase in sales of homes priced from \$125,000-149,999.

### **Debtors Rush To File Bankruptcy Before New Law Takes Effect**

More debtors are filing for bankruptcy to beat the October deadline, when new legislation, making it more difficult for individuals to file for bankruptcy protection, goes into effect, the *New York Times* reported Aug. 23. Filings through July, in the four months since the new law was signed by Bush in April, are up 17% this year over the last in Cleveland, 14% in Milwaukee, and 22% in Northern Iowa. There is a similar pattern in the Midwest and parts of the South and rural West. Nationwide, bankruptcy filings for April, May, and June were up by 11%, hitting a record-high 467,333. More than 1.6 million bankruptcies were filed in the 12-month period ended June 30.

## **World Economic News**

### **BIS Chief Economist Warns About Threats to 'Financial Stability'**

In an extended interview in *Frankfurter Allgemeine Zeitung* Aug. 23, Bank for International Settlements (BIS) chief economist William White notes that central bankers most of the time are focussed on inflation. They think: "Once inflation is under control, everything is just fine." However, if we take a look at the 1920s, there wasn't that much of inflation in the U.S., but soon after we were heading into "deflation and depression." We therefore have to draw the conclusion that "low interest rates are not sufficient guarantee for financial and macro-economic stability."

Today, we are dealing with "very expansionary monetary policy as a global phenomenon," which is central bankers'

language for a financial system flooded by liquidity. "We have never seen anything like this before." In line with monetary policy, there has been a huge credit growth in several leading economies since the late 1990s. "The abundant liquidity can generate excesses and imbalances." Prices are reaching unreasonable levels, and at some point they will certainly fall down. When asked by *FAZ* to what markets he is referring, White replied that he is referring to many areas, in particular, to "the prices of long-term bonds, the risk premiums for corporate bonds, and emerging market bonds, as well as to the stock markets in several countries. But, more than everything else, to real estate prices. Almost everywhere in the world—besides Germany and Japan—there is a strong rise of housing prices." In Anglo-Saxon countries like the U.S., Britain, and Australia, rising housing prices are the basis for rising mortgage borrowing, which in turn is being channelled into consumption.

On a macro-economic level, housing prices do not represent "wealth," contrary to popular belief, White emphasized. Either they are just being pushed up temporarily and then fall. Or, if they are being maintained over a longer period, they increase the cost for everybody to buy or rent a home. Once housing prices fall, the mortgages are still there. It is "really worrisome," he concludes, to see such a dynamic taking place "almost everywhere in the world" at the same time.

## **Volatility in Emerging Markets Worries Wall Street**

There is nervousness over the fact that so-called emerging markets are showing signs of volatility, the *Wall Street Journal*—putting it mildly—noted Aug. 24. The first hint of trouble in the current round was from Brazil; now the Indonesian rupiah is under pressure, which is being attributed to rising oil prices—so that the Indonesian President held an emergency late-night meeting with Central Bank. The *Journal* worries that rising oil prices and rising U.S. interest rates are draining the supply of easy money that's been flooding the market in recent years. "The liquidity premium is being taken out of the market," said one analyst.

As liquidity is drawn out of these markets, one place that it is going, is into feeding the U.S. real estate bubble. The previous day's *Journal* reported that, despite all the warnings of the dangers of the housing bubble, overseas money is still pouring into mortgage-backed securities in U.S. Cash is flowing in from Europe and Asia, and even China. Foreigners held 6% of U.S. mortgage-backed securities in 2004; this rose by 26% last year, and it is continuing to increase this year.

## **United States News Digest**

### **LaRouchePAC To Publish New Pamphlet Exposing 'Soldiers Of Satan'**

The Lyndon LaRouche Political Action Committee (LPAC) announced on Aug. 22 that it will be rushing a new pamphlet entitled "Soldiers of Satan" into production. In combination with the current LPAC pamphlet, "The Case of the Vice-President's Mass-Insanity," this new item will be an indispensable part of LPAC's mass mobilization to stop Dick Cheney's "Guns of August" threat.

While announcing its own publication plans, LPAC called attention to the publication this week by *Executive Intelligence Review* of a major feature package exposing the "spoon-bender" faction in the U.S. military. Author Jeffrey Steinberg's review of this military grouping, entitled "Cheney's Spoon-Benders Pushing Nuclear Armageddon," combined with supporting material, is of the highest importance to those concerned with the national security of the United States. The article is already causing shockwaves among leading political circles in the United States who have seen a pre-publication copy.

The *EIR* package (see *EIR* Online #34), will form the core of the LPAC "Soldiers of Satan" pamphlet.

## **Hagel Criticizes Bush's Threat Against Iran**

In an interview with Reuters during a trip to his home of state of Nebraska on Aug. 17, Sen. Chuck Hagel, a leading Republican and likely 2008 Presidential candidate, dismissed George Bush's threat of military action against Iran, made by Bush on Israeli TV.

Hagel said, "Oh, come on now! First of all, where are we going to get the troops? Who's going to go with us?... We lose credibility in the eyes of the world when we say things like, 'Well just don't forget what happened to Iraq could happen to you Iran. We could invade you, we could bomb you.' "

Instead of threats, Hagel called for greeting the election of the new Iranian President with a process of dialogue, and a "new opportunity to do something bold here.... Iran is going to be a major influence in the future of Iraq. It already is. Who are we kidding when we think that they're not? They are."

In other interviews, Hagel mocked Vice President Dick Cheney's assertion that the insurgency in Iraq was in its "last throes," and said that the death toll of U.S. soldiers in Iraq has gone up alarmingly, with increasing insurgent attacks. Hagel told CNN, "Maybe the Vice President can explain the increase in casualties we're taking. If that's winning, then he's got a different definition of winning than I do."

## **Hagel Continues Attack on Bush Administration War Policies**

On Aug. 20, Army Chief of Staff Gen. Peter Schoomaker told reporters that the U.S. Army is preparing for the possibility of keeping the current level of soldiers in Iraq for another four years. His statements stand in contrast to remarks made just a few weeks ago, by CENTCOM's Gen. John Abizaid and other officers in Iraq, that the U.S. could start withdrawing troops from Iraq as early as next Spring.

Schoomaker said that, in the "worst case" scenario, he was certain the Army could provide the current number of forces—138,000—to fight the Iraqi insurgency for many more years.

But Schoomaker's statement was immediately denounced one day later by Vietnam war hero, Sen. Chuck Hagel (R-Neb), who was interviewed on the Aug. 21 edition of the talk show, ABC's "This Week."

Hagel said, "I don't know where he is going to get these troops. There's no way America is going to have 100,000 troops in Iraq, nor should it, in four years. It would bog us down. It would further destabilize the Middle East." Hagel, who appeared along with Virginia Sen. George Allen (R), underscored that such a troop commitment to Iraq would decimate the National Guard and Reserves. "What I think the White House does not yet understand, and some of my colleagues: the dam has broke on this policy.... It won't be four years. We need to be out... Staying the course is not a policy."

## **Democrats To Hold Hearing on Iraq Withdrawal**

Veteran Intelligence Professionals For Sanity (VIPS), which is led by prominent former CIA analysts and case officers, issued a memo on Iraq, Aug. 24, to President George Bush.

The memo includes a statement about the upcoming Sept. 15 hearing on U.S. withdrawal from Iraq, which is being held by Rep. Lynne Woolsey (D-Calif). VIPS notes that Woolsey is getting the same treatment from the Republican leadership of the House of Representatives, that Rep. John Conyers (D-Mich) got back in June 2005 when he sponsored an inquiry into the lies about the Iraq danger exposed by the "Downing St. memo," i.e., she is being denied a conference room in which to

hold the hearing.

## **Cheney Threatens Filibuster To Stop Anti-Torture Amendments**

As GOP support grows for anti-torture amendments to the Defense Authorization bill, Vice President Dick Cheney is organizing a filibuster behind the scenes, to stop these amendments, according to a prominent legal expert in contact with *EIR*.

The source reported that there are now eight to twelve Republican Senators who are prepared to support the amendments to the Defense Authorization bill being offered by Senators John McCain (R-Ariz), John Warner (R-Va), and Lindsey Graham (R-N.C.), which would prohibit the torture of prisoners and reaffirm the U.S. military's commitment to compliance with the Geneva Conventions.

In the last days of July, Senate Majority Leader Bill Frist pulled the entire Defense bill from the Senate floor, after it became clear that the amendments were likely to be passed. With Dick Cheney delivering the threat, the President Bush threatened to veto the Defense bill if Congress dared to "interfere" with the President's conduct of the so-called "war on terror."

Now, with passage of the amendments seemingly assured, Cheney is threatening to organize a filibuster to attempt to block them, according to *EIR's* source.

## **Specter Demands FBI Information on 'Able Danger'**

Sen. Arlen Specter (R-Pa), Chairman of the Senate Judiciary Committee, has written to FBI Director Robert Mueller, asking him for all information on the secret military-intelligence program "Able Danger," located in the Special Operations Command, which reportedly identified alleged 9/11 hijacker Mohamed Atta, in 1999-2000. Army officers, Lt. Col. Anthony Shaffer and Capt. Scott Phillipott, have come out openly and described the program, and have said that the 9/11 Commission buried the information given to them about the program.

Specter's letter says, in part:

"It has been reported in the news media and directly to my staff that Army Lt. Colonel Anthony Shaffer was the operations officer for a secret military program referred to as Able Danger. The mission of Able Danger was to use a sophisticated data mining program in conjunction with more traditional military intelligence methods to identify and track al Qaida terrorists overseas.

"In connection with this mission, Shaffer reports that he and his associates discovered the names and U.S. locations of three of the four 9-11 pilots a year prior to 9-11. Because the suspected al Qaida terrorists were located in the U.S., Shaffer reports that he made repeated requests of Defense Intelligence Agency (DIA) officials to schedule a meeting with FBI officials in order to present this intelligence to the FBI for further investigation. Shaffer further contacted FBI agent Xanthig Mangum and asked her to schedule such a meeting within FBI.... Shaffer claims that the DIA decided not to share this information with the FBI on the advice of legal counsel and that certain meetings that had been scheduled on this issue were cancelled as a result.

"This is an official request that your office provide to the Judiciary Committee all information and documents it has in connection with Able Danger, Lt. Colonel Anthony Shaffer, Captain Scott Phillipot or any other persons having any connections with Project Able Danger, including, but not limited to, e-mail communication, notes, phone message slips,

memos or any other supporting documentation."

Specter also asked that FBI Agent Mangum be provided for an interview with the Judiciary Committee staff.

## **Resolution To Retool Auto Industry Introduced in Kentucky**

On Aug. 25, a "Resolution Urging the United States Congress to Intervene in the U.S. Automobile Industry's Current Financial Crisis," was introduced into the Louisville, Ky. City Council by Councilman Dan Johnson. The resolution will be heard in the Council's Appropriations Committee on Aug. 31.

Citing the facts that there are already 25,000 jobs in the U.S. auto sector being eliminated by 2008, and that Ford and General Motors bonds have already been rated as "junk bonds," the resolution reads:

"Be it resolved by the Legislative Council of the Louisville/Jefferson County Metro Government....

"SECTION I: We hereby urge the United States Congress to intervene in the U.S. Automobile Industry's current financial crisis so that we may ensure the continued viability of our automotive and machine tool industries and we further direct the Clerk of this Council to spread a copy of this Resolution across the minutes of these proceedings and to prepare a copy to be mailed to the members of the Kentucky Congressional delegation...."

Similar resolutions have already been passed by City Councils in Detroit and Pontiac, Michigan; Cleveland and Columbus, Ohio; and Buffalo, N.Y.; by the Commissioners of Wayne County, Michigan; and by the Alabama State Legislature; to name a few.

## **Ibero-American News Digest**

### **Argentina's First Lady Warns of 'Destabilization Plan'**

First Lady Cristina Fernandez de Kirchner warned this week of a "hidden destabilization plan" intended to create "a certain climate of violence" just before October's Congressional elections. Mrs. Kirchner, who, in addition to being First Lady, is a Senator from Santa Cruz province, spoke from the city of Rosario Aug. 24, at a rally officially launching the electoral slate of her husband's Victory Front. Addressing an audience including almost the entire cabinet, 15 governors, and 300 or more candidates, Kirchner pointedly referenced the "incredible" violence unleashed last week by the Jacobin "*piquetero*" movement of unemployed in the city of Buenos Aires, and also in Santa Cruz. "I speak of a plan, or perhaps something darker," she said, implying that some of the Jacobin leaders were linked to former President Eduardo Duhalde.

Interior Minister Anibal Fernandez told *La Nacion*: "I know that people from the other side have financed those who call themselves *piqueteros*," the paper reported on Aug. 25. He also charged that these mob leaders "have received benefits from political leaders" for leading anarchistic and violent protests.

Argentina is, once again, being hit by a carefully coordinated left-right assault. First, Wall Street's friends are pushing the line put out a month ago by the synarchist *Wall Street Journal's* Mary Anastasia O'Grady, that President Nestor Kirchner is "soft on terrorism." The daily *La Nacion*, the bible of Argentina's right-wing "nationalists," is playing the key role in whipping up hysteria over the fact that the government was considering asylum requests made by six members of Colombia's FARC who entered the country last year. There is nothing to indicate that the government acted improperly in this matter, but Deputy Guillermo Cantini (formerly allied with Wall Street's Domingo Cavallo), wants to haul Interior

Minister Anibal Fernandez before Congress for questioning on the case, while others that Kirchner "is letting terrorists flood the country."

As if to prove Wall Street's point, this past week, the hard-core Jacobin *piquetero* unemployed movement, tied to left-wing synarchists throughout Ibero-America and Europe, mobilized to shut down the capital city of Buenos Aires, demanding increased government anti-poverty subsidies. They threatened drivers, caused traffic chaos, and set up 50 tents in front of the Presidential Palace for four days. Although their protests ended Aug. 19, the Jacobins say they will be back in ten days with a more aggressive mobilization, to "break the arm of Kirchner's policies" under the slogan "Fatherland or death."

Responding to right-wing demands for repression, President Kirchner identified the *piquetero* leaders as leftist "provocateurs, who come to provoke because they seek victims. While no one knows who finances them, they serve a useful purpose to those right-wing sectors who say we must repress," he said. The President called for judges and prosecutors to act against the *piqueteros*, "within the law," but vowed that "we will not fall into any provocation" posed by these groups.

## **Paraguay Joins Bush Campaign vs. South American Neighbors**

Since U.S. Defense Secretary Donald Rumsfeld's Aug. 16-17 visit to Paraguay, that impoverished South American country is being swung like a wrecking ball against its neighbors. First came the announcement that the government wants to negotiate a free trade accord with the U.S., even though that would violate the Mercosur Charter, of which it is was a founding member. Now, it is reported that the Paraguayan government has announced it will not designate an ambassador to Ecuador, on the grounds that Paraguay does not recognize the legitimacy of President Alfredo Palacio's government. This earns Paraguay the dubious distinction of being the first Ibero-American nation to back the Bush Administration's efforts to overthrow Palacio.

Vice President Luis Castiglioni, the Cheney toady who is running the show in Paraguay these days, declared arrogantly on Aug. 23 that Paraguay doesn't give a hoot about its neighbors' complaints over U.S. troops being invited in, because it will not make its foreign policy based on "the caprice, interest, and ideology of the people who surround us."

A manic Castiglioni announced also that Gov. Jeb Bush's Florida has agreed to allow Paraguayan textiles to enter tariff-free, and that this will create 200,000 new jobs within three months. Paraguayan textile manufacturers, while happy to be able to sell anything, suggested at most, 10-20,000 jobs would result, and that only after much investment in plant and equipment.

## **Peru Wooed as Well**

Rumsfeld crony Gen. Bantz Craddock, head of the U.S. Southern Command, arrived in Peru on Aug. 23, for a two-day visit, following on the heels of the Defense Secretary's brief Aug. 18 stop there, *El Comercio* reported Aug. 23 and 24. There was little reported publicly about the visit, other than discussions on "regional security." Florida Gov. Jeb Bush was to follow on Aug. 25 to discuss trade and investment, but Hurricane Katrina forced those plans to be put off.

## **Financial Vultures Out for Ecuador's Resources**

A 12-day strike in Ecuador's two major oil-producing provinces, Sucumbios and Orellana, that led to violent clashes with the military, and the declaration of a state of emergency in those provinces, have placed the question of who will control Ecuador's oil revenues front and center.

Since Aug. 21, sixty delegates (the majority of them elected officials who led the protests) from the two affected provinces—which produce more than three-fourths of the state's oil and half of private company oil—have been negotiating with representatives of the Palacio government and oil companies, to end the stand-off. Their demands have ranged from kicking Occidental Petroleum, the largest private company in Ecuador, out of the country for long-term violation of contract, to allocating a larger portion of the tax collected on private oil profits toward local development. As one protest leader put it, "We want at least 50% of oil revenues to stay in Ecuador.... Occidental takes 84% and leaves us 16%."

An end to the strike was finalized on Aug. 25, involving a number of concessions to the protesters, including an oil company agreement to pave 160 miles of new roads, and the government's agreement to allocate about two-thirds of the 25% income tax paid by the oil companies for local needs. Occidental will not be ousted.

The Palacio government, which earned the enmity of the banks almost from its inception earlier this year by legislating to channel oil revenues away from debt repayment and toward social needs, must tread a careful path: It could easily go the way of the recently ousted and highly unpopular predecessor government. Aware of President Palacio's quandary, the financial community is upping the pressure. An IMF mission was in Quito last week, demanding a series of new austerity measures, along with firm assurances that foreign debt payments will take priority in the national budget. And Standard & Poor has just announced that it may cut Ecuador's "CCC+" credit rating "if the current impasse results in greater financial stress."

## **Zepp-LaRouche Addresses Audiences in Colombia**

German Chancellor candidate Helga Zepp-LaRouche gave an extensive global strategic briefing Aug. 24 to 85 people, located at three sites in Colombia—two universities and the office of the Lyndon LaRouche Association in Bogota—via Internet and phone hookup. Due to technical problems, three other universities which had scheduled to participate, were unable to do so.

Among those present at the LaRouche offices in Bogota, were aides to seven Congressmen and three members of state security agencies, in addition to university students and subscribers to *Resumen Ejecutivo* and *Solidaridad de las Americas*. Students and professors from the Autonomous University Foundation of Colombia (FUAC) and the Catholic University of Bogota also participated.

Zepp-LaRouche, who is a candidate of the BueSo party, concluded by issuing a special call to Colombian youth to follow the example of U.S., European, and other youth, at LaRouche's call, have assumed responsibility for giving a new direction to the nations of the world, beginning with the study and reproduction of the most advanced ideas of humankind's Classical thinkers and scientists. Zepp-LaRouche urged those attending to form Reading Societies of the works of Lyndon LaRouche, so that they can be ready for the challenge—and the opportunity—posed by the current world strategic crisis.

## **Western European News Digest**

### **British Troops Could Be Withdrawn Ahead of U.S. Forces**

Major General Douglas Lute, director of operations for the U.S. Central Command, said it is "entirely feasible" that British troops would be withdrawn from southern Iraq before U.S. forces leave. Lute said Aug. 24 in London, that military officials expect troop reductions to occur most rapidly outside the Sunni Triangle.

In addition, Britain will take over control of NATO forces in Afghanistan in April, which will put huge pressure on its Iraq

deployment of about 9,000 troops. Eventually, NATO will set up another headquarters to the east of Afghanistan, and "then all of Afghanistan will be under the NATO flag," Lute said.

He said Britain has also taken on responsibility to eradicate Afghanistan's opium poppy crop, and U.S. forces would work alongside the British only when they were available. He claimed that there was no hard intelligence linking the narcotics trade with "extremists" but did acknowledge that the Taliban were still recruiting supporters.

## **Former British Chancellor Declares the Euro a Failure**

Former British Chancellor and Tory leader Kenneth Clarke called the euro "a failure" and said that the European Constitution "is effectively dead." Clarke is seeking to become leader of the Conservative (Tory) Party when current leader Michael Howard steps down at the party conference in October. Clarke had previously strongly backed the euro.

Clarke told the journal *Central Banking* that he had overestimated what the euro would do for the EU economies. He said: "I thought it would lead to increased productivity, efficiency, and living standards and would stimulate policy reforms. On that front, so far it has been a failure."

On the EU Constitution, he said: "There is no way of rescuing the treaty—although I was in favor—and the sooner we can make a reality of economic reforms in terms that are seen by the public as contributing to their economic well-being, the better." Clarke said the euro zone's "one-size fits all" interest rates were causing severe strains in the "southern tier" of the EU. "I am beginning to worry considerably about where Italy is going," he said. "The Italian government is utterly oblivious of the need to retain some reasonable fiscal discipline. It is still running a kind of family capitalism without paying any heed to the level of wages or other costs."

He also said that conditions had never been "ripe" for Britain to join the euro. "I do not think there has ever been a time when the British could have joined with complete security and confidence. I doubt it is possible for ten years or more."

## **German Neo-Cons Blame Adenauer for Defending the General Welfare**

In a 45-minute special on the development of Germany during the 1950s, the national *3Sat* television station gave ample room to interviews with leading neocons of the ilk of Hans Tietmeyer, Meinhard Miegel, and Otto Graf Lambsdorff. All three vehemently attacked post-war Germany's first Chancellor Konrad Adenauer for having introduced social security legislation in the late 1950s, which still poses an "obstacle to [monetarist] reforms," to this day.

Especially the refugee compensation law (*Lastenausgleich*) of 1955, which compensated millions of Germans for lost property in the East, and the social security and pension laws of 1957, were attacked, as rammed through by Adenauer against the explicit "warnings" coming from free-market advocates among government advisers. These laws, Tietmeyer, Miegel, and Lambsdorff claimed, undercut the development of market-based welfare structures and thereby created the "problems" which the social-security system is faced with today.

## **French Socialist Party on the Brink of Explosion**

The French Socialist Party's cadre school, which ended Aug. 23, is likely to turn into a major showdown between the current leadership of François Hollande, Dominique Strauss-Kahn, Bernard Kouchner and others, who said "Yes" to the European Constitution, versus those who voted "No," such as Laurent Fabius, Montebourg, Melenchon, and Emmanuelli, and others.

On Aug. 21 Arnaud Montebourg, leader of the New Socialist Party faction, and a wild-eyed young lawyer calling for a British-style parliamentary system, demanded the ouster of the present leadership and its replacement by Fabius and Melenchon. The week before, Michel Rocard, former Prime Minister, who is also in the "Yes" camp, stated that should the crypto-Marxists, i.e., the "No' camp" win, the present leadership should be ready to split the party.

Bernard Kouchner, another of the top leaders, stated that he agreed with Rocard on that point. Between these two factions, however, there is almost nothing but false debates, with more or less rational individuals in both factions.

The LaRouche Youth Movement will intervene inside and outside over the three-day process with both a leaflet and big banners on Cheney's "Guns of August," and LaRouche associate Jacques Cheminade's statement on the polytechnical franc, Bueso President Helga Zepp-LaRouche's campaign for Chancellor of Germany, and world economic reform.

### **Special Reconnaissance Unit On Site at de Menezes Shooting**

Soldiers of Britain's special reconnaissance unit (SRU), were present at the scene of the assassination of Brazilian citizen Jean Charles de Menezes, *The Times* of London reported Aug. 24. Some six soldiers of the SRU were drafted by the police on July 22, because the police were so overdeployed.

Surveillance officers sitting next to de Menezes reportedly had concluded that he was not a terrorist, but since neither their radios, nor those of the execution squad functioned in the Tube (subway), they could not communicate this to the Scotland Yard CO19 firearms squad who killed de Menezes. In addition, the police and army were using non-compatible radios.

SRU soldiers are reportedly saying the firearms squad panicked, but the police blame the misidentification of de Menezes by a soldier for the killing. The dispute could "jeopardise future joint operations," *The Times* reported, although security forces are still looking for another terror cell in Britain. Meanwhile, police are claiming that CCTV cameras in the Tube train and on the platform were not working at the time of the shooting, but Tube workers contradict this. The CCTV footage is missing.

An inquest into the killing has been put off for another six months. The Independent Police Complaints Commission said it would complete its investigation by Christmas.

### **Pope, in Germany, Reaffirms Ecumenical Relations with Jews and Muslims**

The Catholic Church's 20th World Youth Day Aug. 15-21, included a visit by Pope Benedict XVI to a Jewish Synagogue in Cologne, a meeting with Muslim leaders, and an ecumenical gathering with German Protestant leaders, carrying the clear message that there can only be peace among religions if it is based on the dignity of man, who was created in the image of God. The World Youth Day, with 450,000 youth from 197 countries, plus another half-million visitors over the Aug. 20-21 weekend, reaffirmed the leitmotiv which had been established for this event by Pope John Paul II, who had called on young people to be "builders of a civilization based on justice and love."

The chairman of the German Jewish Council Paul Spiegel, and chairman of the Cologne Jewish community Abraham Lehrer, praised the first visit of the Pope to the Cologne synagogue, one of the oldest in Europe, as a "unique historical event."

The Pope also met with a group of ten Muslim leaders on Aug. 20, most of whom are from an organization of Turks in Germany. He said the world would be exposed to "the darkness of a new barbarism" unless religions worked together to combat terrorism."

Pope Benedict gave the concluding mass of his trip to Germany before 1 million young people. He said that freedom isn't about enjoying life in total autonomy, but rather about "living by the measure of truth and goodness, so that we ourselves can become true and good."

## **Blair Presides Over Widest Chasm Between Rich and Poor**

A report by the Office for National Statistics (ONS), titled "Focus on Social Inequalities," compared average weekly incomes of families in the top 10% of incomes (earning 658 pounds or more a week) with those in the lowest 10% (earning 164 pounds or less a week). Since the mid-1990s, while disposable income for both groups had risen by over 20%, the disparity between the two had widened by 90 pounds (about \$170) a week. The richest 10% now have 119 pound more per week, while the poorest only have 28 pounds per week.

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

### **Russia and India To Hold Joint Exercises**

On the heels of the Chinese-Russian military maneuvers held over the past week, press in India is reporting that India and Russia will hold a joint exercise called IndRo-2005 this October in Rajasthan, India. The project, under discussion since Russian Defense Minister Sergei Ivanov's visit to New Delhi at the end of last year, was finalized during talks held between a high-ranking Russian military delegation and Indian officials, the week of Aug. 15. The navies, armies, and air forces of both countries will take part in what is planned to be the first of annual joint military maneuvers.

### **Putin Speaks on Importance of German Chancellor's Leadership**

In an exclusive Aug. 24 interview with Germany's national second television channel ZDF, Russian President Vladimir Putin said: "My opinion is that Germany became a normal country long ago, but it has strengthened the sovereignty of its foreign policy under Schroeder." It was also made known that Putin and Gerhard Schroeder had a lengthy discussion over the phone, on bilateral as well as international issues, on Aug. 19. On Sept. 6, French President Jacques Chirac will meet with Schroeder in Berlin, followed by Putin on Sept. 8.

### **Assassination Attempt on Premier Of Ingushetia**

The Premier of the Republic of Ingushetia, in Russia's North Caucasus, was the target of a bomb attack Aug. 25, which killed one of his security aides. Two explosions went off along Premier Ibragim Malsagov's customary route. The heavy armor on his vehicle saved his life, according to Russian news reports. He was hospitalized in Nazran, Ingushetia.

### **Aliyev: Azerbaijan Will Not Provide Bases**

Azerbaijani President Ilham Aliyev said Aug. 24 that his government has no plans to allow the United States, or any other country, a military base in his country. "No country will be allowed to set up a military base in Azerbaijan, as the presence of foreign military bases will do no good for the stability of the country," Aliyev was quoted by wire services. There are reports of some U.S. troops being present in Azerbaijan.

Following Uzbekistan's demand that the United States vacate the Karshi-Khanabad (K2) base there, the U.S. is also looking for another base in Central Asia. U.S. Centcom commander Gen. John Abizaid has just visited Tajikistan and

Turkmenistan. Observers point out that the visit is associated with a probe for military base premises in these countries. Both countries have provided air space access to the United States.

## **Kazakstan Confirms H5N1 Virus in Seven Villages**

Kazakstan's chief veterinarian Asylbek Kozhumuratov was quoted by Gazeta.kz news that "H5N1 was confirmed in all seven settlements where bird deaths have been noted." Kozhumuratov urged the community to "show maximum vigilance." Avian flu had already been confirmed in seven regions of Russia, from central Siberia to the Ural Mountains. Kazak authorities imposed a quarantine in the affected areas of the northeast provinces and culled poultry.

## **Southwest Asia News Digest**

### **Senior Republican Challenges Bush on Iraq, Iran**

Sane Republicans are revolting against the Bush Administration for its policy of no-win imperial wars. In two interviews, Sen. Chuck Hagel (R-Neb), a 2008 Presidential contender, and decorated Vietnam veteran, blasted President Bush's threats against Iran, and the Administration's no-win perpetual-war strategy in Iraq. (See U.S.A. Digest for more.)

### **IAEA Study Debunks U.S. Charge on Iran Nukes**

A panel of scientists from the United States, France, Japan, Britain, and Russia, after a secret nine-month study, have concluded that traces of weapons-grade uranium found in Iran came from contaminated equipment bought from Pakistan, and are not a sign of any purported Iranian nuclear-bomb program, according to a front-page story in the *Washington Post* Aug. 23.

The *Post* quoted an anonymous senior government official as saying, "The biggest smoking gun that everyone was waving is now eliminated with these conclusions."

The result of the study, which the panel conducted for the International Atomic Energy Agency, confirm Iran's contention about the uranium traces found on equipment used in their nuclear research program, and refute Bush Administration claims. The findings will reportedly be released to the IAEA in the first week of September.

Mohammad Saeedi of Iran's Atomic Energy Organization said in response to the panel's reported findings, "Accurate scientific investigation by the IAEA has proved that U.S. accusations were unfounded."

Dafna Linzer, the author of the *Washington Post* story mentioned above, had previously revealed the National Intelligence Estimate (NIE) finding that Iran was likely ten years away from developing a nuclear weapon. The NIE is the most comprehensive intelligence report produced by the United States' intelligence agencies, utilizing the information from more than a dozen agencies, including the National Security Agency, the CIA, and the Defense Intelligence Agency.

In her Aug. 23 story, Linzer quotes a senior U.S. government official saying, "The biggest smoking gun [against Iran] that everyone was waving, is now eliminated with these conclusions."

### **London Paper Pulls Article on Iran 'Infrared Bombs'**

On Aug. 21, the Sunday *Telegraph* of London pulled one of its most sensational articles about Iran's role in the Iraq insurgency before the end of the day. Early in the day, the *Telegraph* ran a story by its chief foreign correspondent Toby Harnden, entitled, "Iran 'Supplies Infra-red Bombs' that Will Kill British Troops in Iraq," but then pulled the story saying: "This story has been temporarily suspended."

The story had claimed that Iran is supplying bombs that defeat jamming equipment. It reported that the devices were used by the Iranian-backed Hezbollah group against Israel in Lebanon from 1995. A radio signal is used to arm the bomb as a target approaches. The next object to break an infrared beam—the target vehicle—detonates the device.

*EIR* is investigating the reason the story was pulled from the *Telegraph's* website. Similar inflammatory accusations against Iran are being manufactured by Anglo-American neo-con think-tankers, who are serving as the propaganda arm for Dick Cheney's war drive against that nation.

## **Iran To Start Talks with IAEA on Nuclear Program**

Iran's new secretary of the Supreme National Security Council (SNSC), Ali Larijani, has started negotiations with the head of the International Atomic Energy Commission (IAEA), Dr. Mohamed ElBaradei, on Tehran's nuclear program, reported the Iran's news agency, IRNA, on Aug. 26.

IAEA spokeswoman Melissa Flemming said that the talks would be mainly focussed on IAEA inspection of Iran's nuclear activities. The two sides, it was stated, will discuss the Iran-European Union nuclear talks and Iran's proposals for settling the issue.

The meeting will be attended by IAEA general deputies and experts, as well as by Iran's permanent representative to the Vienna-based IAEI, Mohammad Meddi Akhoumedalis. Larijani criticized the three European states (Germany, France, and Britain) that have been negotiating with Iran over its nuclear program, while stating at the same time that the Islamic Republic welcomes negotiations with all 35 member states of the IAEA.

Meanwhile, on the occasion of the upcoming visit of Russian President Vladimir Putin to Berlin Sept. 8, it is reported in the German weekly *Wirtschaftswoche*, that Putin and German Chancellor Gerhard Schroeder will be coming out with a common initiative on Iran.

Additionally, Italy's Ambassador to Tehran, Roberto Tuscano, after meeting Iran's Chamber of Commerce president, called for expanding bilateral relations in various economic fields.

## **Abbas Declares Intifada Over; 'Greater Jihad' Is Economic Revival**

As the last Israeli settlers were leaving the Gaza Strip, on Aug. 22, Palestinian President Abu Mazen (Mahmoud Abbas) told Reuters that he hoped to persuade Palestinians that peaceful dialogue is the way to statehood for the Palestinians. Declaring the "jihad" or "holy struggle" against Israel over, Abbas said it was time for what he called the "greater jihad" of economic revival, rule of law, and talks with Israel to achieve a lasting peace.

"I was, and I am, working on planting the culture of peace among the Palestinian people in order to pave the way for a smooth Israeli withdrawal from Gaza and to move on from there to open negotiations with Israel on the final status of the West Bank and Gaza." However, Abbas also complained, "Israel is not helping. It is still taking unilateral steps and trying to create facts on the ground."

Hamas, however, is reportedly saying that Israeli Prime Minister Ariel Sharon's decision to evacuate all 21 settlements in Gaza and four in the West Bank shows that the Intifada has been successful and that armed resistance to the occupation must continue.

As for the Israeli withdrawal itself, settlers from the last Gaza settlement of Netzarim boarded buses on Aug. 22 to pull out. At the same time, 5,000 Israeli troops and police were dispatched to the West Bank for the evacuation of the settlements of Sa-Nur and Homesh. There were 2,100 illegal infiltrators believed to be in those two settlements, reported *Ha'aretz*, which added that military sources said that the Israeli army was going to take a hard line with violent opposition. However, the evacuation was completed without delay last week.

## **The Heavy Price of the Gaza Settlements**

The price for the Gaza settlements has been heavy both in lives lost and money spent, reported *Ha'aretz*, Aug. 23.

In terms of deaths of Palestinians, since 1987, the number of Palestinians who have been killed in both the Gaza Strip and the West Bank is 4,651. The vast majority of these deaths, 3,265, occurred in the period of the current Intifada, which is to say while Ariel Sharon has been Israeli Prime Minister. Of those killed during the current Intifada, 652 were children.

As for Israelis, the total number killed in Gaza was 230 since 1967.

The monetary costs of the Gaza settlements since their founding in 1967 is a multi-billion dollar figure.

The majority of Israelis supported the withdrawal, and would prefer to see such enormous sums being spent on social services, jobs, and development.

## **Asia News Digest**

### **Break News Blackout in Korea on Threat To Nuke Iran**

The Aug. 5 *EIR* article, "Cheney's Guns of August," and feature on CONPLAN 8022, translated into Korean, have been prominently posted on the Internet website of "Peacemaking," a key group which organized the candlelight demos that brought President Roh back to power in April 2004, after his impeachment. The Korean language wire service Korea Press International (KPI) and *Mahl Magazine* plan to publish it soon.

Next to come will be the "Cheney's Spoon-Benders" Pushing Nuclear Armageddon" (*EIR Online* #34), which has been e-mailed everywhere in Korea. A similar barrage into Japan has not led to any visible crack in the black-out.

### **S. Korea Supports Iran's Peaceful Nuclear Technology**

"South Korea Backs Iran's Peaceful Use of Nuclear Technology," is the title of an Iran News Agency wire Aug. 22 in Tehran, after South Korean Ambassador Baek Ki-Moon voiced Seoul's support for Iran's peaceful nuclear development, in a meeting with Hossein Hashemi, Head of the Iran-South Korea Parliamentary Friendship Group. Baek underlined the need for expansion of ties and said Seoul seeks expansion of all-out relations with the Islamic Republic of Iran. Relations have made remarkable progress in recent years, he said.

Mr. Hashemi voiced satisfaction with the political and economic cooperation between the two and said Iran's Fourth Five-Year Economic Development Plan (March 2005-2010) has provided ample opportunities for joint investment in various industrial sectors. He called for speedy formation of the Iran-South Korean Joint Economic Commission to expedite the pace of economic cooperation. He apparently also called for South Korea to invest in Iran's nuclear sector. South Korea obtains over 50% of its electricity from nuclear power.

## **Six-Power Talks on Korea To Reopen**

Six-power Korea talks are scheduled to reopen Aug. 30, as diplomats reject the Bush-Cheney Administration's unilateral approach. South Korea's National Security Council Vice Chair Lee Jong-Seok travelled to Moscow, Beijing, and Tokyo to urge the U.S. "to change Mr. Cheney's unilateral demands, which so far have made a settlement impossible," a Seoul diplomat told *EIR*. North Korea must be allowed peaceful nuclear energy, Lee repeated in Moscow Aug. 23, and Russia has agreed to this. ROK Foreign Minister Ban Ki-Moon met Defense Secretary Donald Rumsfeld and Secretary of State Condoleezza Rice in Washington Aug. 23 to deliver the same message, Ban told a press conference at the Korean Embassy later. Japanese and Chinese negotiators are due in Washington Aug. 25. Chinese Vice Foreign Minister Wu Dawei, in Japan Aug. 24, said the talks will resume "as planned."

U.S. negotiator Christopher Hill said in Washington Aug. 23 that while the U.S. still opposes any nuclear program, this issue "is not a show-stopper," an admission that saner heads are demanding a change in the Cheney negotiating position. Hill told reporters that "the idea of North Korea having a civilian nuclear reactor has the support of both South Korea and Russia, provided North Korea permits international inspection of its facilities," and that this was anyway only a "theoretical, downstream" issue that would not break a deal.

In Moscow, Lee also repeated Hill's remarks, that the U.S. could agree to a peace treaty to replace the current dangerous Korean War armistice. This, Lee claimed, will give Pyongyang an "acceptable security guarantee" (thus far denied by Washington) when the talks resume. The lack of security guarantee has been Cheney's major deal-breaker demand to date.

"There has never been a more positive signal in 50 years than what the United States has offered the North," South Korean Vice Foreign Minister Lee Tae-sik told a forum in Seoul Aug. 24. "It has everything the North wants. The United States has promised normalization of relations in return for North Korea giving up all its nuclear programs. I think there will be some good result soon."

## **Musharraf: Scientist Gave Aid to NK Nuke Program**

In an interview with Kyodo News in Islamabad on Aug. 24, President Pervez Musharraf "revealed" that Pakistani nuclear scientist Abdul Khan provided centrifuge machines and designs to North Korea for the illicit uranium program which Pyongyang and many U.S. specialists say does not exist. Musharraf's remarks are the first time anyone has given details of Khan's transfers on the record; a "senior military official" briefed journalists in February 2004. Musharraf however claimed Khan could not have been of much help to North Korean nuclear weapons programs because he was engaged only in uranium enrichment, not in other steps to make a bomb such as conversion of uranium into gas, and development of trigger mechanism and delivery systems.

This "caveat" is of course irrelevant, as the charge levelled by U.S. Vice President Dick Cheney et al., is that North Korea, while bragging loudly about its eight plutonium bombs, concealed a "secret" uranium program. The U.S. negotiating position is that "since we can't search all of North Korea, they will have to come forward with the uranium programs and surrender them, as Libya did." As with Iraq, the demand is to surrender something which may well not exist.

## **China To Focus on Natural Gas and Nuclear Energy**

China will focus on natural gas and nuclear energy to meet its growing demand for energy, stated Zhou Dadi, head of the Energy Research Institute, at a science conference Aug. 23 in Urumqi, capital of Xinjiang. China is now facing energy shortages, surging prices, and deadly accidents in the coal mines. The country will have to diversify to avoid relying on coal as its major fuel, Zhou said. In 2004, China consumed 2 billion tons of coal, 67% of its energy supply, and imported 120 million tons of oil, for 35% of its fuel supply. China uses only about 41.5 billion cubic meters of natural gas a year.

According to Prof. Xu Daqing, a specialist in nuclear energy, "alternatives" like wind or solar energy will not be important in China. Since China is capable of nuclear power self-reliance, Xu said he expects China to produce 20% of its energy requirement from nuclear sources by 2035, compared to 0.02% now.

## **China's Income Gap Threatens Social Unrest**

China's ever-widening income gap will become "critical" by 2010, and provoke social instability, unless the huge problem is resolved, according to experts at China's Ministry of Labour and Social Security. The experts found that the income gap in China has been expanding since 2003, despite some measures to increase income of the impoverished.

The experts, headed by Su Hainan, president of the ministry's Income Research Institute, wrote that: "Income disparity in China is in the yellow-light [next to worst level] area now. We are going to hit the red-light scenario after 2010 if there are no effective solutions in the next few years."

Incomes in cities are growing at 8%-9% annually, but in the countryside, only 4%-5%. While per-capita urban income will reach 10,000 yuan (US\$1,234) this year, in the countryside, average annual income was just 2,936 yuan (US\$355) last year.

Also, within the rural population, there are big income disparities. "Average" farmers earned 3.39 times as much as poor farmers in 2004. In 1992, the disparity was only 2.45 times as much. A gap also exists among the urban residents. "And the gap is growing," according to Xu Fengxian, a researcher with the Chinese Academy of Social Sciences. Laid-off workers are losing income, while private business owners are getting wealthier at "incredible rates."

## **Myanmar Receives UN Envoy**

Former Indonesian Foreign Minister Ali Alatas, representing UN Secretary General Kofi Annan, was well received in Yangon (Myanmar has refused entry to UN reps over the past year due, to their single focus on the treatment of human rights activist Aung San Suu Kyi). As reported by Agence France Presse Aug. 20, Alatas met with the top five leaders of the junta, announcing afterward that the issue of Aung San Suu Kyi did not come up! He also met with the senior organizer of the National Constitutional Convention, Judge Aung Toe, who announced that the Convention, on hold since March, will open again in December.

## **India Unveils Thorium Breeder Reactor Design**

Indian nuclear scientists from the Bhabha Atomic Research Center (BARC) unveiled their Thorium Breeder Reactor design during a week-long conference at Brussels on emerging nuclear systems the *Press Trust of India* reported Aug. 25. The 600 MW reactor is named the Advanced Thorium Breeder Reactor (ATBR).

According to the design paper, while annually consuming 880 kg "seed" plutonium used for energy generation, ATBR will

convert 1,100 kg of fissionable thorium-232 into fissile uranium-233. The ATBR would need 2.2 tons of plutonium annually as "seed" for conversion.

The uniqueness claimed by the Indians in their design is that there is almost a perfect balance between fissile depletion and fissile production, thereby extending the core life to two years. In present-day reactors, the depletion takes place at a much faster rate.

## **Africa News Digest**

### **South African Foreign Minister Defends Iran's Nuclear Rights**

Following in line with South Korea's Foreign Minister, who, at the beginning of this week had come out supporting Iran's drive for the peaceful use of nuclear energy, South African Foreign Minister Nkosazana Dlamini-Zuma defended Iran's inalienable right to develop nuclear technology for peaceful purposes. South Africa, a Non-Aligned Movement member, has always supported Iran's stance. The Foreign Minister said that Iran's nuclear activities are aimed at achieving the country's development. Countries like Iran and South Africa should have the right to use nuclear technology for peaceful means, the Minister said.

### **South African Police Raid Zuma's Home, Affair Splits ANC**

South African police Aug. 18 raided the home of Jacob Zuma, who was Vice President until President Thabo Mbeki fired him in June. Simultaneous raids on Zuma's home and other addresses were reported to be part of the preparation for his trial on corruption charges in October.

The corruption charges against Zuma have been dividing the ruling African National Congress (ANC) party along putative "right"- "left" lines, as desired by the advocates of State Department "democracy." Zuma represented the "left," consisting of the networks of the former armed wing of the ANC, the Congress of South African Trade Unions (COSATU), and the South African Communist Party (SACP); the latter heavily overlaps the ANC.

Just days before the raids, on July 15, COSATU called on Mbeki to reinstate Zuma and have the charges against him withdrawn. COSATU spokesman Zwelinzima Vavi told reporters Aug. 16 that Zuma "is seen to be too close to workers and the poor." A Friends of Jacob Zuma Trust and a support Web site have been established. The pro-Zuma rhetoric is highly emotional and divisive.

Zuma's former financial adviser, Schabir Shaik, was found guilty in June of soliciting an annual bribe of \$75,000 for Zuma from Thint, the South African branch of the French arms-maker Thomson CSF (now called Thales), in return for shielding Thint from an investigation into a large arms deal. Shaik was also convicted of bribing Zuma to use his position to promote Shaik's business interests.

Zuma maintains his innocence and remains Deputy President of the ANC.

The prosecutor is considering a prosecution of Thales.

There are no signs, however, that anyone has thought to inquire whether the corrupt dealing with Thint was actually initiated by Thint, to achieve a sting against Zuma, on behalf of the Anglo-American powers generally, to set up the split in the ANC. George Soros, speaking on behalf of those interests in Cape Town in December 2003, said that the ability of

the ANC to obtain a massive majority in the 2004 election was a threat to the "open society."

The Democratic Alliance, the British party in South Africa, usually critical of the government, is backing it to the hilt in this affair.

### **Former Chief of Ivorian Armed Forces Proposes Coup**

General Mathias Doué, sacked by Ivorian President Gbagbo as chief of armed forces in November 2004, has offered to remove Gbagbo by coup, in a letter printed in some Ivorian publications Aug. 19, and in an interview with Radio France Internationale Aug. 20.

Doué said that "Gbagbo's departure alone would bring peace to Cote d'Ivoire... And if the international community doesn't want to make him go peacefully, I'm going to do it by any means necessary.... [T]he personality of President Gbagbo and the entire system that surrounds him are not forces for peace and reconciliation" between the now divided North and South. He said he would put an end to the activities of the death squads run by the President and his wife. (Gbagbo has done nothing but play games with all parties seeking reconciliation for 2.5 years.)

The government pretends that Doué's threat is a non-event. It claims the forces behind him are the governments of France and Burkina Faso. They are indeed among the plausible candidates.

Guillaume Soro, nominal political leader in the North, said he was "happy" that Doué was "assuming his responsibilities." Doué's statement strengthens Soro's hand.

An unnamed military analyst told Inter Press Service Aug. 22 that Doué and others were "testing the waters with messages designed, initially, to create a campaign.... If the campaign manages to solidify part of the army around its cause, then the opponents will quickly move to the offensive phase."

Doué may seek to make himself President, hints an analysis in *Le Messager* (Douala, Cameroon) Aug. 23. He studied law before becoming a military man.

This development undercuts the efforts of South African President Thabo Mbeki to mediate a settlement, but the prospects for his efforts were not good. Nor are the prospects good for credible elections on Oct. 30.

### **Gbagbo—and Presidential Constitution—May Fall**

More signs have emerged that the Gbagbo government in Cote D'Ivoire is finished. His departure may mean the end of the country's Presidential Constitution, which he abused to the limit. The latest developments include these:

\* The New Forces, insurrectionists controlling the northern half of the country, announced Aug. 25 they would no longer take part in the mediation conducted by South African President Thabo Mbeki. They had already announced that there will be no elections on Oct. 30.

\* Two influential opposition figures, formerly sworn enemies, have reached a reconciliation. Henri Konan Bédié and Alassane Ouattara are both nasty characters. Ouattara had a long IMF career. Bédié was to return to Cote d'Ivoire Aug 25.

\* In an Aug. 26 article entitled "Gbagbo Cleans Out His Desk," *Le Patriote* claims that, "According to information

received from several banks, the transfer of funds has greatly increased in recent days.... [A]ccording to a diplomatic source ... numerous government dignitaries are attempting to get visas for their families to go to 'safe countries.'" The article, which may be as much or more psywar as it is factual, also suggests that President Laurent Gbagbo is making contingency plans.

\* The French Communist daily, *L'Humanité*, stated, Aug. 24: "The revolt of officers who had been, until then, loyal to [Gbagbo], appears to have been triggered on the night of June 28-29, when the Presidential guard assaulted [Col.] Jules Yao Yao, Gen. (ret.) [Kouadio] M'Bahia, and Col. Bakassa Traoré (who died in hospital the following Sunday...), when the three emerged from a dinner at the French Embassy."

The report continues: "But the bitterness of the rebellious officers precedes this incident. 'We have done everything possible to enable the President to preserve both his government and Cote d'Ivoire. But all of our ideas have been thwarted by his small circle of kinsmen and friends...,' said Yao Yao." Col. Yao Yao was formerly official spokesman of the Ivorian armed forces.

The solution the French government is seeking, is the implementation of the Marcoussis Accords of 2003 which, while achieving some degree of reconciliation between North and South, at least temporarily, would also create a form of government much more manipulable by the Anglo-American powers.

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