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This Week You Need To Know

London Spreads Blood and Gore **by an EIR investigative team**

On the weekend of Feb. 24-25, 2007, as former Vice President Al Gore was wet-dreaming about his pending Academy Award for his fractured fairy tale "documentary," *An Inconvenient Truth*, about his battle to save the planet from "global warming," TV financial market analyst Jim Cramer was answering a question about the prospect of a Gore Presidential run in 2008, on MSNBC's Chris Matthews' "Hardball." Never one to mince words, Cramer dismissed the idea that Gore would take another stab at Presidential politics: "No," he said. "He's really a hedge fund manager now. No one leaves that game."

Indeed, Cramer was right—at least on the first count. In November 2004, Al Gore and David Blood launched a London-based investment fund, Generation Investment Management, which insiders affectionately refer to as "Blood and Gore"—and not without reason. Blood, the former CEO of Goldman Sachs Asset Management, brought a small team of former Goldman Sachs personnel with him to the London fund, assuming for himself the job of managing director. Gore took on the Chairmanship of Generation, bringing along his long-time Senate chief of staff, campaign manager, and business crony, Peter S. Knight, as another founding partner....

...full article, PDF

In-Depth Coverage

Links to articles from
Executive Intelligence Review,
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Feature

Ducking the Issue! **David Walker's Sleight of Hand** **By Lyndon H. LaRouche, Jr.**

U.S. Comptroller General David Walker is presenting 'a persuasive, factually precise, but essentially fraudulent representation of the essential economic threat menacing the soon-to-retire U.S. Baby-Boomer generation.'

London Spreads Blood and Gore

Al Gore and his partner David Blood launched a London-based hedge fund in 2004; two years later, Gore became an advisor to the British government on 'climate change.' And that's just the beginning of the story of treason, intrigue, and corruption.

'An Inconvenient Truth': British Global Psy-Ops

The 'Greening' of Jeb Bush

Implications of the Gore Hoax for International Policy

Lyndon H. LaRouche, Jr. delivered this keynote address to a LaRouche PAC webcast from Washington, D.C. on March 7. We include the discussion period, in which he reminded listeners repeatedly that 'we are running out of time' to cut out the petty politicking and move to reorganize the bankrupt global financial-monetary system.

Science

CO2: The Greatest Scientific Scandal of Our Time

Zbigniew Jaworowski, M.D., Ph.D., D.Sc., reviews the overwhelming scientific evidence that demolishes the global warming lies.

Economics

Carry Trade, U.S. Mortgages: The Global Financial System Is Burning at Both Ends

The shrinking yen and Swiss franc carry trades, and the imploding markets for U.S. mortgage-backed securities, have become the hammer and anvil of a disintegrating international financial system which has been blown up by larger and larger debt bubbles ever since the October 1987 stock market crash.

International

Copenhagen Riots Open New Phase of 'Strategy of Tension'

The rioting that engulfed Copenhagen on the night of March 1, and continued for several days, was only the opening campaign under the cover of the terrorist 'Anti-G-8 Summit' movement. Its purpose is to create a Europeanwide climate of violence, terror, and political assassination.

Of Locusts and Foot Soldiers

By Helga Zepp-LaRouche,

chairwoman of the Civil Rights Solidarity Movement (Bu"So) in Germany.

Argentina Keeps on Growing, and Growing, and Growing

President Kirchner opened the new session of Congress with a stirring overview of how far his government has come in restoring the general welfare, since the economic collapse of 2002 under his pro-IMF predecessors. Documentation: Excerpts from the President's speech on March 1.

Brazil Still Carrion for the Carry Trade

National

Overdue Bill of Impeachment Against Cheney May Be Coming

In the wake of the conviction of Vice President Cheney's former Chief of Staff Scooter Libby, there is a promising groundswell toward impeachment.

Murtha Now Rove's Target: How Low Will Karl Go?

Cheney's Iraq War, Privatization, and BRAC Behind Walter Reed Scandal

Editorial

Do You Know What Time It Is?

U.S. Economic/Financial News

Congressional Legislation and Hearings on Hedge Funds

Sen. Charles Grassley (R-Iowa) is introducing legislation to subject hedge funds to increased oversight and routine inspections. The *Washington Post* March 8 reported that the proposed law, "which reinstates rules struck down by a federal court last year, would require funds that manage more than \$50 million and have more than 15 investors to register with the Securities and Exchange Commission as investment advisers."

Meanwhile, the House Financial Services Committee, chaired by Rep. Barney Frank (D-Mass.), announced that starting March 13, it will hold a series of hearings on hedge funds and private equity pools. The Committee's press release lists nine issues it will address:

1. the emerging scope of use of these funds in the U.S. and global financial markets;
2. whether investors in hedge funds (particularly pension funds) were sufficiently informed about them to protect the interests of their members;
3. whether the investment strategies of the funds were sufficiently transparent to their investors;
4. whether the increase in number and size of funds has had an effect on credit and underwriting standards of investors or lenders in some markets, e.g., the mortgage markets;
5. whether the President's Working Group's recommendations about hedge fund risk management and regulatory oversight are sufficient;
6. varying international regulatory perspectives on hedge fund regulation;
7. the potential systemic risks posed by the increasing use of leverage and credit;
8. the extent to which the increased liquidity has improved the efficacy of domestic capital markets; and

9. the impacts on the economy in areas where hedge funds have made major investments.

Ag Committee Hearings Probe Diversion of Corn to Ethanol

"Right now there is not one bushel of corn available in Bruning, Nebraska," at any price. This was the comment by the representative of the National Pork Producers, Joy Philippi, a pig producer in Nebraska (third leading corn, hog, and ethanol state in the nation), who testified at a hearing titled, "Review of the Impact of Feed Costs on the Livestock Industry," held by the House Agriculture Subcommittee on Livestock, Dairy and Poultry, on March 8. The price of livestock feed in the last year has soared by 50%, on top of energy prices rising by 50% since 2004. About one-half of U.S. corn output goes into livestock feed, and now corn-for-ethanol has soared from 6% of the 2000 crop, to 20% of the 2006 crop. Corn prices have doubled in a year. Philippi stressed that no matter how high the price, "If we can't find corn, we can't raise pigs. If we can't raise pigs, it's not good for ethanol either." At present, corn "carryover" (reserve) stocks in the U.S. are at the level 5% of use of the annual corn crop, which means that at any time—e.g., in the case of bad weather during the 2007 crop year, there could be a "negative carryover" (in USDA jargon)!

With different particulars, the same point was made by four other livestock spokesmen, for beef cattle, dairy, turkeys, and eggs. In brief:

Cattle: 80 of every 100 pounds of beef cattle feed is corn. True, you can substitute distillers grain (DG) for 30% of cattle feed, but the results are variable—what the nutrients are, whether the cattle will thrive on it, etc. DDG (dry distillers grain) is hard to handle. Wet distillers grain is preferred, but for that, you need to be within 150 miles of the source. How are you going to relocate all fed cattle to such sites?

Dairy: "The biofuel revolution ... has sent a shockwave across the industry in the form of operating costs," said Rob Wonderlich, an Iowa dairyman. There are 62,000 dairy farmers cross country, and feed costs have risen 45-60% in one year. Plus energy costs have doubled since 2004. Bull calves' value is dropping, because they need more corn to meet slaughter weight, and the "market" doesn't want them. You can switch to distillers grain only up to 6-8% for lactating dairy cows, and after that the milk fat content goes down. Besides, DDG prices are rising almost as fast as corn. "I purchased last year FOB from the ethanol plant, DDF for \$75 per ton. That price has since risen into the \$140-150 range."

* *Poultry/Eggs:* 50% of the cost of producing a dozen eggs is feed. For the best ration for laying hens, 60% is corn. A ton of chicken feed that cost \$106 a year ago, is now \$168.

* *Turkeys:* Half the cost of tom turkey is feed. There is no substitute for corn. You might get away with 10% DDG, but that's maximum. Mexico is the foremost importer of U.S. turkey dark meat, but if the price goes up any more, Mexico won't buy it. "They will switch to an alternative ... if they have an alternative...."

Pork: In 2005, there were 103 million hogs in the USA. This single-stomach animal does the least well of all on distillers by-product. The high corn costs will mean a smaller livestock herd, in turn, causing ripple effects throughout the farmbelt. It's said that each new ethanol plant creates 80 jobs; but if the equivalent volume in corn went through pork production, 800 jobs are retained.

What to do? The livestock spokesmen all stuck with the we-want-to-reduce-foreign-oil-dependence line, and called for ending the 51-cent excise tax advantage for blenders of ethanol into gasoline, to damp down the corn-ethanol stampede. Further, the chairman of the United Egg Producers, Ron Truex, representing 90% of all U.S. producers, called for the Federal Government to alter the Renewable Fuel Standards to delay the turn to ethanol, until cellulosic ethanol is

developed. He said that no food-use product should go into ethanol; only non-food-use biomass. He also stressed that if high feed prices aren't stopped, "[food] production will pass into stronger hands," meaning "more consolidation" of ownership of the food chain.

Bye-Bye, Chrysler; Hello Cars Built in China?

DaimlerChrysler CEO Dieter Zetsche says Chrysler is likely to outsource production of several lines of small cars to a Chinese partner, because he claims it is impossible to build them in the U.S. competitively due to low profit margins. Zetsche remarks, at the Geneva auto show, were reported in the *Detroit Free Press* March 7. Chrysler already has a preliminary deal with Chinese automaker Chery to assemble a subcompact to be sold in China, the U.S., and Europe.

Meanwhile, Blackstone Group and Cerberus Partners are having separate meetings with Chrysler executives over a potential buyout.

World Economic News

IMF Solvency Depends on Financial Stability of Turkey

The solvency of the International Monetary Fund (IMF) now comes down to the financial stability of Turkey, according to the "Final Report of the Committee to Study Sustainable Long-Term Financing of the IMF," released Jan. 31, 2007. Turkey is a nation whose finances are a bubble sustained only by the now-unwinding carry trade. According to a March 1 Bloomberg wire, Turkey now represents around 75% of the IMF's total loan portfolio, a portfolio which has dropped to a mere \$11.8 billion, from its 2004 high of \$81 billion. The big shift came in January 2006, when both Argentina and Brazil paid off "the damn IMF," as some in Ibero-America put it. Other nations in Ibero-America then followed suit. Total IMF loans today to that region, whose nations were once its greatest debtors, are less than 1% of its global portfolio, at a mere \$50 million. (Yes, that's *million*, not billion.)

Here's the problem: the IMF's revenues rely "primarily on interest income derived from lending," the Committee stated in its final report. "It is already the case that the income derived from lending is not sufficient to cover the Fund's projected operating expenses," it said. The main conclusion of the committee, which included such brilliant thinkers as Alan "Bubbles" Greenspan, was that the IMF "should commence immediately" to devise "an alternative revenue model" to finance its activities.

Will Japan Allow Foreign Ownership of Brokerage Operations?

Citigroup was nearly shut down in Japan in 2004 when the government closed its private banking operations due to money-laundering charges against the company. Now, Nikko Cordial, the third-largest brokerage in Japan, is in similar legal trouble over accounting irregularities, which led the Tokyo Exchange to consider de-listing them, despite its being one of the oldest firms in the country, with \$250 billion in assets, the *New York Times* reported March 7. Citigroup announced a \$10.8 billion takeover bid, saying this will solve both their problems.

The question of how this mega-deal intersects the collapsing carry trade, the rising yen, and the falling market is not addressed in the *Times* commentary, but is the obvious context of this unusual opening of the normally closed Japanese brokerage business. Citigroup offered a 15% premium over the current market price to purchase over half the shares in Nikko, in which Citigroup already held 4.9%. The purchase lifted the Nikko stock and helped the first stock market rise in a week.

In Nuclear Debate, France, Germany at Opposite Poles

The early-March EU summit on energy, which the German Presidency wants to make a step forward on renewable energies, revealed a deep gulf between green Germany and pro-nuclear France, but also between East and West. France, which calls for nuclear power as the only way to reduce CO₂ emissions, is backed by the Eastern European nations, notably the Czech Republic, and even by Poland, which is not really pro-nuclear, but dislikes profoundly any EU guidelines from Brussels that would bind the Poles to a particular policy.

The "green hedge funds," which are investing heavily in renewables, have told the German political party leaderships that a non-nuclear orientation is the alleged "pot of gold" for German industry in the future.

Yen Could Continue Rise Through End of March

The yen could well continue rising until the end of this month, a City of London analyst said in a discussion with *EIR* March 6. He had earlier warned that a rise of 2%-3% of the yen (already surpassed) would hit the carry trade hard. March 31 is the end of the fiscal year in Japan, after which Japanese business and financiers could again begin investing abroad. These renewed capital outflows from Japan could bring the yen down again.

The analyst pointed to the possible role of John Merriweather—, the Salomon Bros. hedge-fund trader who was one of the founders of LTCM, in setting off the current yen rise, and the risk to the yen carry trade. Merriweather is known to have taken "long" positions on the yen, and is making a lot of profit at this time, he said.

The real danger for the international financial situation right now, the analyst said, is that the subprime mortgage market could "seize up": now, this market is 1,500 basis points over Treasuries, which is, by definition, "one step from default." He himself is watching the home equity part of asset-backed securities markets: if the instability there spills over into other sections of world finance, this could "lead to systemic problems."

UPS Cancels Airbus Order for 10 Cargo Jets

UPS has reportedly lost confidence in the ability of the European airplane manufacturer Airbus to deliver A380 planes by 2012, after Airbus decided to delay production of the freighter version of its super-jumbo jet so that it could focus on the passenger version, according to Bloomberg March 2. Airbus expects to lose as much as EU4.8 billion by 2010 and the decision to delay the A380 freighter is just one measure the company is taking to try to reduce losses. It also plans to cut 10,000 jobs across Europe, and sell or find partners for six factories.

United States News Digest

Gonzalez Retreats on Hiring Interim U.S. Attorneys

U.S. Attorney General Alberto Gonzales backed down before the Senate Judiciary Committee on March 8, and said that the Bush Administration will no longer oppose legislation limiting the AG's power to appoint interim prosecutors, who do not need Senate confirmation. The interim prosecutors were appointed after the firing of six U.S. Attorneys who testified to Congress that they were fired for political reasons. Gonzales also agreed to make five of his top aides available to testify to the Senate Judiciary Committee on the firings. The retreat by the Bush Administration comes after Sen. Arlen Specter (R-Pa.) told the press that Gonzales might not last through the remainder of Bush's term. Rep. John Conyers (D-Mich.), chair of the House Judiciary Committee, released a March 8 letter that he and Judiciary Subcommittee chair Rep. Linda Sanchez

(D-Calif.) wrote to Gonzales. The letter demanded that certain Justice Department officials be made available for questioning by the committee next week, including the Deputy Attorney General Kyle Sampson; the Chief of Staff to the Attorney General Michael Elston, and four other top officials. Conyers also demanded that all communications between the DOJ and the White House or any other person or entity, concerning the firing of the six Attorneys General and/or their replacements; post-firing communications with the Attorneys General; the names of anyone in Congress who was given advance notice of firings, and many other documents which could be thoroughly incriminating.

Democrats Answer Bush's War Supplemental Request

On March 8, House Speaker Nancy Pelosi (D-Calif.), along with Appropriations Committee chairman David Obey (D-Wisc.), Defense Appropriations Subcommittee chairman John Murtha (D-Pa.) and Armed Services Committee chairman Ike Skelton (D-Mo.) announced what they termed a response to the Bush Administration's request for \$100 billion in supplemental funding for the wars in Iraq and Afghanistan. The bill adds \$1.2 billion to the request for Afghanistan, \$3.5 billion for military and veterans health care, \$1.4 billion for military housing allowances, and \$3.1 billion for the Base Realignment and Closure (BRAC) account, fully funding it for fiscal year 2007.

The bill also directs President Bush to adhere to the military's own guidelines for unit readiness, length of time of deployment, and length of time between deployments. The President can waive the guidelines, but has to submit a report explaining why.

The bill also requires that the Iraqi government meet certain benchmarks on key security, political, and economic issues. If it fails to meet the benchmarks, the U.S. will begin to withdraw from Iraq, and will restrict economic aid to the country.

The bill spells out that the U.S. will strategically redeploy the U.S. troops. If progress toward meeting key benchmarks is not made by July 1, 2007, a redeployment of U.S. troops from Iraq will begin and must be completed within 180 days. If key benchmarks are not met by Oct. 1, 2007, the redeployment will begin and must be completed within 180 days. If key benchmarks are met by Oct. 1, 2007, a redeployment of U.S. troops must begin by no later than March 1, 2008, and must be completed within 180 days. Following redeployment, the troops remaining in Iraq may only be used for diplomatic protection, counterterrorism operations, and training of Iraqi Security Forces.

Another provision of the bill was detailed by Rep. John Murtha (D-Pa.), chairman of the Appropriations Defense Spending Subcommittee. Murtha explained that the Pentagon has repeatedly stonewalled on releasing information about the role of private contractors in Iraq. Murtha says, both the Government Accountability Office and the Special Inspector General for Iraq have come to him and said, "Help us get a handle on the contractors." Murtha said, "We took five percent of their money out, and that's about \$800 million. We also fenced 10 percent of their money. We want answers about whether these contractors—how much it cost us, how many we have, and how the contracts are being given to these various organizations."

At the same time, Senate Majority Leader Harry Reid announced the introduction of a joint resolution to end U.S. involvement in Iraq. Among other things, the resolution declares that the circumstances cited in the 2002 Use of Force Resolution have changed substantially, and that U.S. policy must emphasize a political solution in order to maximize the chances for success and to more effectively wage the war on terrorism. It directs the President to begin a phased withdrawal of U.S. troops from Iraq within 120 days of enactment, with the goal of redeploying all combat forces from Iraq, except for those required for a training and counter-terrorism mission.

Waxman Introduces Contracting Reform Bill

House Oversight Committee chairman Henry Waxman (D-Calif.) introduced the "Accountability in Contracting Act" on

March 6. The bill would change Federal acquisition law to require agencies to limit the use of abuse-prone contracts, to increase transparency and accountability in Federal contracting, and to protect the integrity of the acquisition workforce. The provisions of the bill would limit the length of non-competitive contracts, minimize cost-plus contracts, would require disclosure of justifications for no-bid contracts, disclose contractor overcharges, and fund contract oversight.

Hagel Comments on Impeachment

Senator Chuck Hagel (R-Neb.), an outspoken critic of the Administration's handling of the Iraq War, commented on the possibility of impeachment of President Bush, in the March 6 *Esquire* magazine. On the Iraq War, Hagel said, "The President says, 'I don't care.' [He says] he's not accountable anymore, which isn't totally true. You can impeach him, and before this is over, you might see calls for his impeachment. I don't know. It depends how this goes." Hagel, reflecting on how we got into the Iraq War said, "Congress abdicated its responsibility. The press abdicated its responsibility, and the American people abdicated their responsibilities. Terror was on the minds of everyone, and nobody questioned anything, quite frankly."

House Panel Calls for Sanctions on U.S. Allies

Statements made on March 6 by both Democrats and Republicans at the House Foreign Relations Committee hearing on "The Iranian Challenge" were so extreme, it made White House witness Nicholas Burns, Undersecretary of State for Political Affairs, the only sane bird in the flock.

Committee chairman Tom Lantos (D-Calif.) introduced the Iran Counter-Proliferation Act of 2007, to tighten sanctions against, not just Iran, but the companies and countries that trade with it. The bill eliminates the President's flexibility to waive sanctions against foreign companies that invest in Iran's energy industry. "If Dutch Shell moves forward with its proposed \$10 billion deal with Iran, it will be sanctioned," Lantos threatened. Similarly, for Malaysia, China, and India. Burns observed how "ironic" it is that in 30 years of U.S. sanctions against Iran, our "best allies" are still trading with Iran. He said that "if the focus is to sanction our allies, it is not the best way to maintain a united approach, or a coalition."

Webb Introduces Bill To Block War Against Iran

On March 5, Sen. James Webb (D-Va.) introduced a bill to restrict the Bush Administration's ability to launch preemptive war on Iran. The bill, to be attached to the "must pass" \$100 billion continuing resolution, would insure that "no funds ... may be obligated or expended for military operations or activities within or above the territory of Iran, or within the territorial waters of Iran, except pursuant to a specific authorization of Congress." The bill offers a few exceptions, that for direct attack, hot pursuit, or in support of intelligence gathering, for which the Administration would have to submit justification within 24 hours.

In his prepared statement on the floor, and in a discussion with reporters afterward, Webb insisted that he was determined to give diplomacy a chance to work, stating that "this Administration has shot from the hip too many times for us to be able to trust it to act on its own." He mentioned the 1988 incident with the *USS Vincennes*, where "an overly aggressive commanding officer, operating inside Iranian territorial waters" shot down an Iranian commercial jet, Flight 655. Webb said his original concern came after examining the 2002 Iraq use of force resolution, and comparing it to Bush's subsequent signing statement. His concern was that Bush's statement left enough "ambiguity" for Bush to interpret it as authorizing war with Iran.

Ibero-American News Digest

Brazil's Youth Urged To Develop 'Spirit of Republican Solidarity'

Addressing students at the law department of the University of Sao Paulo on March 6, Brazilian nationalist Carlos Lessa lamented President Lula da Silva's continuing attempt to do the impossible: to satisfy both the people and the bankers.

For example, Lessa told the students, if the government were to go along with the financiers' demand that the law be rewritten so that pensions no longer automatically increase in tandem with increases in the minimum wage, it would shorten the lives of Brazil's elderly, "and killing old people is like what the Nazis did in the concentration camps."

There must be "a spirit of republican solidarity" between Brazil's people, to guarantee the quality of life and longevity of all Brazilians, he said. The Central Bank's high interest rate policy is an impediment to this needed republican solidarity, because billions and billions of reals which could fund social security and growth are channeled off into interest payments. Lessa called for the Central Bank to be revamped, putting representatives of labor, business and agriculture on its board.

The youth will determine Brazil's future, Lessa told them, expressing his "great satisfaction" at speaking with them, instead of only to his "white-haired friends."

Lessa headed the national development bank, BNDES, under Lula until international financiers gave orders he be fired, or else. When dumped in November 2005, he charged that the problem in Brazil is a national elite which wants nothing to do with the Brazilian people, which maintained slavery for as long as possible, and which throughout Brazil's history has crushed every attempt to form a counter-elite.

This is precisely this deep-seated oligarchical outlook against the poor in Brazil which Lyndon LaRouche pointed to, in a discussion with the *EIR* staff March 6, as the reason Brazil is the hardest country on the continent to change, even though it is the most powerful in potential. Recalling his 2002 trip to Sao Paulo, LaRouche spoke of the *favelas* (giant urban slums), where even the police don't dare venture, contrasted with the walled estates of the better-off. There is more opportunity, in Bolivia, Peru, Ecuador, and to some degree, Colombia, LaRouche commented.

Brazil To Join 'Bank of the South' Commission ... with Caveats

Brazilian Finance Minister Guido Mantega announced at a March 9 press conference with his Argentine counterpart Felisa Miceli, that the Lula da Silva government has accepted Argentina's invitation to join the technical commission that will work out the mechanics of setting up a new regional development bank. Argentine President Nestor Kirchner and Venezuela's Hugo Chavez created the commission when they met in Venezuela on Feb. 21.

The Lula government, however, has yet to commit Brazil to this regional project to which international financiers object. In a display of the deadly pragmatism which cripples Brazil's development, Mantega was quick to point out that his government's "preference" was to strengthen and "transform" existing regional financing entities, such as the Andean Development Corporation and the Financial Fund for the La Plata Basin Development (Fonplata), rather than create an entirely new entity. He limited his remarks on the Bank of the South to portray it as an institution that would foster Ibero-America's "financial integration." Other sources have reported that Lula was stalling on joining the Bank of the South, saying that other financial initiatives should be implemented first. In an attempt to keep one foot in each camp, Mantega said that of course Brazil would join the commission with no preconceived ideas, and open to all options.

The concept underlying the Bank of the South project which oligarchs fear, is that the nations of the region would exercise their sovereignty, and use their foreign reserves as the seed-capital for a regional development bank oriented towards financing cross-border infrastructure projects, without monetarist criteria.

Argentine Biochemist: Biofuels Push Is Colonialism

The imposition of biofuels on developing nations is colonialism, says Argentine energy expert Federico Bernal, whose great-grandfather Enrique Martin Hermitte discovered oil in Argentina in 1907, Argenpress reported March 6. Bernal, a biochemist, slams the European Union, whose "energy security" policy is to "fill our mouths with biofuels, hydrogen, wind, and solar energy. They are reserving for us the centuries-old role of satellite countries, mere exporters of energy. They want us to become the biofuel- and hydrogen-producing farms to satisfy their demand."

The energy debate shouldn't be limited to establishing a time frame for implementation of alternative or renewable resources, Bernal says. The interest of Ibero-America should be taken into account, focussed on "technological sovereignty ... energy sovereignty," with nationalized resources.

Hedge Funds Eye Ibero-America as New 'El Dorado'

Global Hedge funds salivating over the looting potential in Ibero-America, view Brazil, which accounts for 90% of hedge-fund managers in the region, as the juiciest target. "It's the flagship market for the whole region," said one analyst, while Florian Bartunek of Constellation Asset Management in Sao Paulo brags that "we are in a sweet spot," as one of the largest offshore hedge funds in the country, as reported in two hedge fund reports, dated last September and October. The more volatile, the better. Bartunek is thrilled that U.S. and European investors are moving into Brazil in search of "higher returns," or because they want to dump their dollar-denominated assets. Former Central Bank president and Soros Quantum Fund partner Arminio Fraga has one of the most successful Brazilian funds, Gavea, which recently passed the \$2 billion mark.

These vultures wax ecstatic over the fact that the defaults that occurred in Ecuador and Argentina, and Brazil's "economic slump" of the late 1990s, really "opened up" the region, because they provided opportunities for "distressed and event-driven strategies." Also, "years of reform"—thanks to the International Monetary Fund—"paid off." While Mexico and Chile are seen as facilitating hedge fund and private equity investment, Argentina is considered a big problem. Hedge fund managers whine about the Argentine government's "excessive" regulations and monitoring of foreign investors, which hinders their looting. Javier Guerra of Bulltik Capital Markets in Miami warns that the time for getting into Argentina may be past—it should have been done a few years back "when you could strike gold, buying companies at 10 cents on the dollar." In contrast, Guerra chirps, Brazil is a dream, going through a "modernization" process that makes it a "very easy country to work with."

Nuclear Power Advances in the Region

Mexico will spend \$605 million to up-rate its Laguna Verde nuclear power plants. Mexico's Federal Commission of Electricity has signed a contract with France's Alstom and Spain's Iberdrola to supply new high-pressure steam turbines and new generators to the two units at the Laguna Verde plant. The two boiling water reactors were built in the 1980s by General Electric. When the work is completed, in 2010, each reactor will be able to produce 785 MW of power, as compared to 654 MW now, a 20% increase.

Further south, Russia's offer to cooperate with Chile on nuclear power development spurred Peruvian nuclear scientists to raise Peru's need to revive nuclear programs which had been wrongly dismantled. (See Russia Digest for details.)

Western European News Digest

Danes Note British Debate on Climate Change

Headlined "The Great Global Warming Swindle," Denmark's *Berlingske Tidende* March 9 ran a headline about the climate-change debate in Great Britain. Author Lars Henrik Aagaard reports that the Danish Sun-climate researcher Henrik Svensmark has emerged center-stage in the debate about global warming; Svensmark is a serious researcher who has provided qualified arguments against the assumption that human emission of so-called greenhouse gasses is responsible for global warming (see InDepth, March 6; "Cosmoclimatology, Kepler, and Moon's Model of the Nucleus," by Laurence Hecht). Aagaard reports that the book *The Chilling Stars*, recently released by Svensmark and British science journalist Nigel Calder, is being vehemently debated on the Internet.

On March 8, Svensmark's research at the Danish Space Center was featured in "The Great Global Warming Swindle," aired on Britain's Channel 4 TV network.

Berlingske Tidende's article ends by reporting Svensmark's scientific thesis that cosmic rays and the Sun play a decisive role in cloud formation on Earth. The more Solar activity, the less cloud cover on Earth, leading to the heating of Earth's surface. Svensmark concludes that this is the cause for the global heating over the past century.

Arrogant Brit Lauds UK-U.S. Policy Split

Former British Foreign Secretary Malcolm Rifkind, now a Tory Member of Parliament, penned a nasty lead op-ed in the *Washington Post* March 4, in which he pronounced Tony Blair free from the close ties to the Bush-Cheney Administration that plagued his term as Prime Minister, particularly since the Iraq invasion of March 2003. Rifkind ridiculed Blair for behaving like George Bush's "poodle," juxtaposing his performance with that of other British PMs who were close to Washington but never bent to U.S. will—like Winston Churchill, who disagreed with FDR on policy towards the Soviet Union, or even Margaret Thatcher. Noting that Blair had royally shafted Bush by announcing British troop draw-downs in Iraq just as Bush was pushing his "surge," Rifkind declared that the next British PM, whether Gordon Brown or David Cameron, would remain a polite ally of Washington, but carve out an independent foreign policy— while at the same time not embracing continental Europe either. In effect, in oh-so diplomatic language, the Tory MP was declaring that the Brits are ready to let the Bush-Cheney-led United States sink under the weight of its own folly.

British MI6 Role in 'U.S.' Secret Prisons

The network of so-called "CIA secret prisons" was set up jointly with British MI6, according to a lengthy investigative report in the Raw Story March 7. A confidential British intelligence memo reveals that Prime Minister Tony Blair told Poland's then-Prime Minister Leszek Miller to keep the information secret, even from his own government. Much of the planning for the program was done in joint meetings in London chaired by MI6 head John Scarlett, and in Washington chaired by then-CIA Director George Tenet. U.S. and British officials were very selective about whom they worked with in European countries, and many officials in those governments were kept in the dark, making it more difficult for the EU to investigate the program.

A former senior CIA official said that many in the CIA had strong feelings about the extraordinary rendition program. "Career people were really opposed to this," he said, echoing what *EIR* had previously been told. All intelligence officials interviewed by the Raw Story team said the CIA is no longer operating the rendition and secret-prison program.

Are Brit Moves on Missile Defense Aimed at New Cold War?

Lt. Gen. Trey Obering, head of the U.S. Missile Defense Agency, said the Russians are concerned about the UK proposal

to set up a missile shield in Britain. "If they are concerned about us targeting their intercontinental ballistic missiles, I think that would be problematic from the U.K. because I believe we probably could catch them from a U.K. launch site." What Obering means is that setting up a missile shield in Britain would mean developing a system to nullify Russia's missiles, because the distance between Britain and Russia would allow the Britain-based interceptors to intercept. He said as long the missile shield is located in Poland or Czech Republic, the interceptors based there will not have the "battle space," i.e., will not have enough time to intercept if a missile launched from Russia because of its proximity.

On the other hand, if Blair's objective is to antagonize Russia, it could bring to the fore the anti-U.S. Russian hardliners, and launch a new Cold War. The advantage for Britain in such a development is that it would remain the closest ally of the United States.

In order to assuage Russia's fears, the U.S. Ambassador to Russia, William Burns, during his tour through Siberia, on March 6, said the United States is prepared to cooperate with Russia on missile defense and urged both countries to continue a serious dialogue to clarify their respective positions and work out controversial issues.

Broad Outrage Against Locust Funds in Netherlands

All political parties favor controls, or at least restrictions, on locust funds, the Dutch media reported March 5-8. The exception is the right-wing-liberal VVD party. The anti-fund sentiment among the parties reflects the views of the vast majority of the population, which has been stirred up by the hostile takeover attempt of the nation's biggest bank, ABN Amro, by TCI and other funds. Although there has been little comment on the Danish government's declared intention to legislate against hedge-fund looting, the plans are still on the table. On March 8, the government responded to angry complaints from major Danish companies that they will suffer under the proposed law. The Tax Ministry announced that they had reviewed the tax statements from 2005 for the 20 biggest companies on the Danish stock exchange. Of nine industrial firms—A.P. Moller-Maersk, B&O, Carlsberg, Torm, Danisco, DSV, FL Schmidt, GN Store Nord and Vestas—four paid no taxes at all and the other five paid a meager total of 300 million Danish krone (EU40 million).

In April, parliamentary hearings will be held on the issue of locust fund controls.

BBC Barred from Airing Report on Blair Scandal

British police said March 3 that the British Broadcasting Corporation has been barred from running a report about the "loans for peerages" scandal that has cast a shadow over Prime Minister Tony Blair's final months, according to Reuters March 4.

The government's highest-ranking lawyer, Attorney General Lord Peter Goldsmith, obtained a court injunction stopping the broadcast late on March 2, after a request by the police, who are investigating whether political parties awarded state honors in return for loans.

The police sought the injunction because of their concern that disclosure of certain information at this stage would impede their inquiries, a joint statement from the Metropolitan Police and Goldsmith said.

The move set off speculation among politicians that officers were planning to bring charges against one or more people.

Two aides to Blair were recently arrested on suspicion of perverting the course of justice or conspiring to do so as the investigation appeared to widen into a potential cover-up inquiry.

In Continuing Tiff, BBC 4 Says Charles Unfit To Reign

Prince Charles, next in line to the British throne, is unfit to reign. So says a program slated to air March 11 on the UK's Channel 4, which accuses the Prince of Wales of being "too political" and of "meddling" in the affairs of state. The program was previewed in the *Sunday Telegraph* March 4.

The program is the latest in a series of disputes between Charles and the station. In November 1998, a Channel 4 program, aired on the occasion of the Prince's 50th birthday, portrayed the him as a lazy, greedy man whose concern for the environment is little more than skin deep.

Wiesbaden Election Polls Show Funny Math

The *Wiesbadener Kurier*, in its March 3-4 weekend edition, published a "forecast" of the March 11 Wiesbaden (Germany) mayoral election that is rather dubious: German voters total less than 100%; the poll gives 3% to Peter Silbereisen (Linke Liste), 16% to Rita Thies (Greens) and 23% to Helmut Mueller (CDU). If one adds the 34% of voters whom the *Kurier* lists as undecided one week before the vote, there remains still a gap of 24%. Alexander Hartmann of the LaRouche Youth Movement is also a candidate in the mayoral race. It seems the unreported percentage may belong to him.

Russia and the CIS News Digest

Academician Rogov: Work To Avoid New Cold War

Academician Sergei Rogov, the director of the USA-Canada Institute at the Russian Academy of Sciences, published a lengthy op-ed in the *Washington Post* March 4, warning that the U.S. and Russia are on the verge of a new Cold War. While acknowledging some Russian missteps that contributed to the recent frictions, Rogov focussed on a series of provocations by the Bush and earlier U.S. Administrations, since the fall of the Soviet Union, that have brought the world to such a state of renewed tension.

The expansion of NATO eastward, the plans to place ABM components in Central Europe, the unilateral U.S. invasion of Iraq, and threats of an attack on Iran, were all cited by Rogov as cause for Russian hostility towards the United States. He also cited the net drain of currency from Russia during the 1990s, and the persistent refusal of Western investors to move into Russia—along with the failure to repeal Jackson-Vanik—as causes for the current state of deterioration in relations. While framing the need for cooperation in old-school arms control language and the acceptance of the idea that "globalization" is here to stay, Rogov cited the recent North Korea Six-Power agreement as a model for restoring U.S.-Russian cooperation. He singled out the ongoing Iran crisis as one area where restored Russian-American cooperation could set a new direction. If the opportunity is not taken now, he warned, our children's generation will be born into a new Cold War that should be avoided, at all costs.

Russian Liberals Fear Kremlin FDR Turn Might Be For Real

The Moscow daily *Nezavisimaya Gazeta*, which is owned by a former aide to the generally neo-liberal Minister of Trade and Economics German Gref, ran an unsigned editorial on Feb. 22, expressing hostility towards the "new outlines for the country's industrial policy," laid out by President Vladimir Putin and First Deputy Premier Sergei Ivanov at a conference that week in Volgograd. *NG* attacked the policy as neo-Soviet and neo-Keynesian, in a rather confused way. Most interesting, though, was the editorial's linkage of the Putin-Ivanov industrial policy, with recent attention to the historical example of Franklin Roosevelt's New Deal, as in the recent conference at the Moscow State Institute for International Relations (MGIMO), addressed by Kremlin staff official Vladislav Surkov.

Nezavisimaya Gazeta wrote, "If one takes into account our leaders' heightened interest in the personality, political fate, and crisis-averting activities of Franklin Roosevelt, then one could draw conclusions about a certain conceptual unity being demonstrated in the authorities' approach. Roosevelt is a difficult choice to criticize as an idol and example for any politician. Any criticism would relate above all to the fundamental adaptability of his policy to modern Russia. Moreover, an incorrect interpretation of the ideas behind the New Deal, and more precisely a fundamental misunderstanding of its aims—the rescue and support of America's private capital as the basis for a capitalist economic system—could easily lead disciples of the great American President into the dead end of bureaucratic state-monopolized capitalism."

The principles of the New Deal, *NG* raved, will not yield "growth in productivity of the Russian economy as an integrated indicator of competitiveness," and are useless "within the conditions of the globalization of capital markets."

Russia Offers Chile Nuclear Energy Cooperation

At a press conference following Russia-Chilean political consultations March 6, Russian Deputy Foreign Minister Sergei Kislyak said the nations intend to expand bilateral trade, and that Russia is ready to cooperate with Chile in the nuclear sphere, although this is up to the Chilean government to decide. The Bachelet government has rejected nuclear development for Chile, but pressure from business, academic, and legislative leaders led to the establishment of an energy commission to explore the option of going nuclear. In neighboring Peru, there is support for Chile's consideration of nuclear energy. Peru's nuclear expert, Rolando Paucar Jauregui, the former head of the nuclear energy agency, noted how badly off Peru is now, since it dismantled its nuclear energy agency and programs, and its educational infrastructure.

Tymoshenko Campaigns for Early Elections in Ukraine

Ukrainian opposition leader Yulia Tymoshenko lost no time in pushing for new parliamentary elections when she returned to Kiev in early March, after discussions with Vice President Dick Cheney and others in Washington. Tymoshenko told her supporters that both Cheney and Secretary of State Condoleezza Rice were in favor of early parliamentary elections in Ukraine (as if they should have anything to say about it). It may not be so easy, however, as the last parliamentary elections gave a big victory to Prime Minister Victor Yanukovich, with a clear anti-NATO mood among the populace. Tymoshenko said that she would work to bring Ukraine into NATO. Yanukovich and Speaker of the Parliament Alexander Moroz are preparing a counter motion to call for early *Presidential* elections if Tymoshenko succeeds in getting Ukrainian President Victor Yushchenko to call for early parliamentary elections.

Southwest Asia News Digest

LaRouche Rep Addresses Cairo Scholars on 'New Politics'

On March 9, on the invitation of Professor Mohammad Selim of Cairo and Kuwait Universities, Muriel Mirak-Weissbach of *EIR* delivered a speech on "The 'New Politics' in Washington and Implications for the Middle East." The presentation, was sponsored by the Center for Asian Studies and the Institute for Malaysian Studies. Students and teachers were invited from these institutes as well as from the Institute for Arab Studies and Research, which is an organization of the Arab League.

The presentation focussed on the "New Politics" emerging from the Nov. 7 U.S. elections, and the implications for shifting foreign policy, as shown in the Baker-Hamilton report. The role of the youth vote was explained, with elaboration of the role of the LaRouche Youth Movement (LYM), emphasizing the LYM's campus work in exposing the Lynne Cheney networks in the American Council of Trustees and Alumni (ACTA).

Extensive discussion took place after Mirak-Weissbach's presentation. Most of the questions came from students, who wanted to continue after the formal time ran out after two and a half hours. Many students attending come from Arab countries, outside Egypt. The interest of all of them in the United States is overwhelming, and the general mood is: We would like to see America return to play a role for the Good in the world, as at the time of Eisenhower, for example—which all Arabs know about.

Background to Mecca Agreement for Palestinian Unity Government

Based on a series of discussions in early March, *EIR* has pieced together the basic parameters of the Saudi-sponsored Mecca meeting that took place on Feb. 8, where Hamas and Fatah agreed to form a Palestinian National Unity Government (NUG)—much to the horror of Dick Cheney, Secretary of State Condoleezza Rice, and Deputy National Security Advisor Elliott Abrams.

According to these reports, first, King Abdullah of Saudi Arabia interceded with both Hamas and Fatah in late January 2007, at the point that violence between the two factions had nearly reached the level of civil war. As the result of fighting in Gaza between Hamas and Fatah militias, over 20 people were killed during the several-day period. According to several accounts, during a Hamas raid on a Fatah security compound, documents were seized, showing assassination plans against Hamas parliamentarians, and that American officials, including Elliott Abrams, were complicit, along with Fatah security official Mohammed Dahlan.

The Saudis had already concluded: 1. that the U.S. had failed to deliver on promises that the Israel-Palestine peace process would move forward; 2. that the situation in Iraq had deteriorated to the point that the whole region was in jeopardy; and 3. that Iran's strategic position was being strengthened by the hour, as the result of the disastrous American policy.

At the same time, *EIR* founder Lyndon LaRouche had taken careful note of the *Asharq al-Awsat* criticism of Cheney, accompanied by a signed commentary by *EIR*'s Hussein Askary, on Feb. 21. Previously this Saudi paper had been aligned with the neo-cons and the Bush Administration and had slandered LaRouche. Clearly some strategic shift in Saudi thinking is indicated. The picture that came together around the Mecca summit confirmed that assessment.

According to sources, Saudi Arabia's King Abdullah used his considerable diplomatic clout to bring the two warring Palestinian factions together in Mecca, and had gotten significant support from the Syrian government in this effort. Saudi Arabia pledged \$1 billion in aid to the Palestinian Authority, as part of the Mecca deal.

According to one source, while the U.S. State Department was kept totally in the dark about the deal, a White House emissary, Frances Townsend, had been sent to Riyadh and had been briefed by King Abdullah on the just-concluded Mecca meeting and agreement. Reportedly, Abrams went berserk over the agreement, as he had been promoting the covert arming of factions of the Fatah militia to instigate war between Fatah and Hamas.

One source cautioned that the NUG agreement is yet to be really tested, and that the danger of sabotage cannot be underestimated. However, there is a clear indication that the Saudis are anything but enthusiastic about Abrams' Palestinian civil war schemes, and the larger Bush-Cheney plans to provoke a war with Iran. One Saudi official in Washington warned that, were the U.S. to attack Iran, the conflict "would never end."

Among U.S. institutions, there remains a firm conviction that the key to peace and stability in Southwest Asia is a just and permanent settlement of the Israel-Palestine conflict.

Neo-Cons' Man on the NSC Spiked Mecca Agreement

It was Elliott Abrams, Near East Director for the National Security Council, who spiked the agreement for a Palestinian national unity government between Hamas and Fatah, a highly qualified Arab source recently told *EIR* (see above).

Thus, just before the scheduled Feb. 19 "summit" with U.S. Secretary of State Rice, Israeli Prime Minister Olmert, and Palestinian Authority President Abu Mazen, Abrams set up a telephone call between Olmert and President Bush, to make sure that the U.S. would denounce the unity government.

In the call—a rare event recently, ever since the Israeli war on Lebanon—Olmert told Bush that his government is in a very "delicate" position, and if Rice supported the Mecca deal, this could sink Olmert.

Before Rice even landed in Israel for the Abu Mazen-Olmert "summit" meeting, Olmert gave a press conference on Feb. 18 to announce the U.S. would *not* accept the Mecca Agreement. "I spoke about this with the President of the United States, and I can tell you the Israeli and US positions are completely identical," Olmert said.

Chirac: European Leaders Should Support Mecca Agreement

French President Jacques Chirac will urge leaders at the European Union summit to endorse the Mecca deal aimed at the formation of a Palestinian unity government, it was reported on March 9. Chirac wants the EU to lift the financial blockade of the Palestinian government. He called on the EU leaders to "welcome the Mecca accords, which France sees as a first step towards applying the conditions of the "Quartet" of Middle East mediators, which include the United States, Russia, the EU, and the United Nations.

Netanyahu To Meet Cheney in Washington

Israeli Likud Party chairman Benjamin Netanyahu set out for Washington March 7; there he will speak at the March 11-13 annual AIPAC conference. Vice President Dick Cheney, with whom Netanyahu will be meeting, will also speak at the conference. Netanyahu will be pushing his new anti-Iran campaign, which centers around the idea of a "secondary boycott" of Iran, calling for hedge, investment, and pension funds to pull out of companies that trade with Iran. AIPAC-endorsed "Disinvestment in Iran" legislation was in fact introduced by Rep. Illeana Ros-Lehtinen (R-Fla.), Ranking Republican on the House Foreign Affairs Committee, on March 6. Foreign Affairs chair Tom Lantos (D-Calif.) is introducing legislation to close "third party" loopholes for companies and countries doing business with Iran. New, tougher sanctions against Iran are the main lobbying objective of the AIPAC conference.

Netanyahu could also be fundraising for himself on this U.S. visit, since the trip comes at a time when he is scheming to bring down the Olmert government. He is trying to engineer a split of 11 Kadima Knesset members who, if they rejoin the Likud, could make it the largest party and offer the possibility of Bibi being given the mandate to form a new government if Olmert falls.

Official Saudi Daily Hails Ahmadinejad-Abdullah Meetings

A Saudi source has forwarded to *EIR* an editorial from the March 3 *Arab News*, the English-language Saudi daily that speaks for the King, and emphasized that the editorial is an accurate reflection of the actions by the Saudi monarch, and reflects fruitful talks with Iran.

The editorial, "Consensus Building," began with a veiled attack on the Cheney crowd in Washington: "The two-day visit of

Iranian President Ahmadinejad which gets under way today should lay to rest suggestions voiced in other parts of the world that Saudi Arabia and Iran are rivals and that the rivalry may end up with the Kingdom seeking nuclear weapons if the Islamic Republic obtains them. This is fantasy. The visit comes after a series of meetings between Saudi and Iranian officials to sort out a number of regional problems, including attempted mediation between the Lebanese government and Hezbollah. This visit can build bridges. Iran's ambassador to the Kingdom, Mohammad Hosseini, is right when he says that together the two countries can help resolve problems in the region and the wider Muslim world."

The editorial reiterated Saudi Arabia's policy of fully supporting the right of all nations to develop nuclear energy, but opposition to any nuclear weapons in the region—including in Israel. "The hope," the editorial continued, "is that bilateral links with Iran will deepen as a result of Ahmadinejad's visit." However, the editorial emphasized Saudi Arabia's hosting, later in March, of an Arab League summit, which will take up a number of regional issues, including Lebanon, Palestine, and Iraq.

Asia News Digest

U.S. Gets an 'Almost Base' in Sri Lanka

The 10-year Acquisition and Cross-Servicing Agreement (ACSA), signed by the United States and Sri Lanka on March 5, has major ramifications for the region, particularly for India, according to the *Hindu* March 9. ACSA will provide for logistics, supplies, and re-fuelling capabilities,, among other facilities. These represent additional U.S. capabilities in the Indian Ocean, New Delhi admitted.

Despite all the sophistry and "spin" by the Americans, ACSA is a military deal, and for the United States, it is as good as acquiring a naval base in the Indian Ocean (it already has a military base at Diego Garcia). What also has been noted by the Indian analysts is the silence of the Manmohan Singh government. In the immediate context, ACSA means the Sri Lankan government will get full American support in its fight against the Tamil Tigers, among other benefits. A few years ago, such an agreement would have been inconceivable, New Delhi analysts pointed out, because of India's active opposition.

It is also evident that the United States is eager to set up many such naval bases in the Indian Ocean, Arabian Sea, and South China Sea. Recently, a U.S. Navy warship, the *USS Gary*, a guided-missile frigate with 200 officers and crew, docked at Sihanoukville, 115 miles southwest of Cambodia's capital, Phnom Penh. The *Gary* is the first American naval vessel to dock in Cambodia in more than three decades. Although Cambodia has not signed on to the ACSA agreement, or agreed to a full-fledged U.S. Naval base, the United States has improved its relations with Cambodia, and has offered once more to start military assistance, which stopped in 1997.

Musharraf: 'Iran Should Not Be a Target'

Inaugurating a two-day conference at the National Defence University at Islamabad, Pakistani President Pervez Musharraf made clear that, "Iran should not be a target," according to the *Daily Times* March 7. He said: "If any attack against Iran is launched, we will have to face a lot of problems," adding that Islamabad is making efforts to avoid such a development. Musharraf said if Iran were attacked, it could trigger further sectarian problems in the Muslim world and a host of other nations.

It is likely that what Musharraf is referring to is the increasing pressure on Pakistan, exerted by U.S. Vice President Dick Cheney and his cabal, to cooperate with the United States against Iran. Talking to Geo TV, former ISI chief and trainer of the Taliban in the 1990s, Gul said the recent Cheney visit was aimed at pressuring Pakistan, "as the United States would need Pakistan's support and Balochistan land to attack Iran." He also said that, "it may be the possibility that the Pakistani

government is refusing the United States permission to use its land."

According to reports, Cheney made clear to Musharraf that Washington and NATO are set to move into Pakistan's tribal agencies bordering Afghanistan to take on thousands of al-Qaeda and other non-Pakistani and non-Afghan militants lodged there.

State Department Drug Report Praises Iran and Myanmar

Anne Paterson, Assistant Secretary of State for International Narcotics and Law Enforcement Affairs, commenting on the State Department's annual report on the global drug crisis, said Iran was "playing a very positive role," the *Bangkok Post* reported March 2. "They have been very active along the border of Afghanistan," Paterson added, although noting that Iran is still a "major transit route for opiates from Afghanistan." On Myanmar, she said that opium production continues to fall, and that the amphetamines coming out of Myanmar come from the rebel groups who are fighting the military government.

China To Establish Fund for Overseas Investment

China is planning to place \$200 billion of its \$1 trillion in foreign currency in a fund for investment overseas, according to a report in *Asia Times* last month. The Finance Ministry will issue 1.5 trillion yuan of bonds, pulling excess liquidity out of the economy, and "buy" the \$200 billion in dollars from the foreign reserves. The dollars will go into a new company called the National Foreign Exchange Investment Co., to be run by Lou Jiwei, the current vice minister of finance, all under the State Council.

One reason for the move is the devaluation of the dollar, since the value in dollars of the Chinese reserves falls by \$50 billion for each 5% dollar devaluation against the yuan.

Wen: China Must Increase Economic, Energy Efficiency

China must urgently increase its economic and energy efficiency and reduce its huge trade surplus, Prime Minister Wen Jiabao emphasized in his report to the opening session of the National People's Congress in Beijing March 5. While Wen's speech is being reported as calling for the "greening" of China, what he actually said was that the national economy must meet its goal of reducing energy consumption per unit GDP. While that is a very bad economic measure, the underlying issue is that underdeveloped economies, like those of China or India, squander a lot more energy than more developed ones, due to inefficient production methods. The issue of pollution in China, like in other developing countries, is also an urgent one, because more primitive industry, dependence on coal, and other effects of backwardness generate real problems like poisoned water systems, air, and so forth.

At the same time, there is a lot of fuss being made over climate change, biofuels, and so on, at least in the Chinese media. What Wen did not do, was emphasize the really urgent need, to develop nuclear energy and other advanced technologies much faster than China already plans to do, although China recently did make a breakthrough in fusion energy development (see below).

China had only minimally reduced its relative energy consumption in 2006, Wen said, and major pollution increased, and this must "resolutely" be changed. "Lots of outdated production facilities are still in operation," he said, despite national legislation.

Wen also called for reducing the speed of economic growth to 8% from 10.7%. "The most important task for us is to promote sound and fast economic growth," Wen said. "We need to greatly improve the quality and efficiency of economic

growth."

China Completes Thermonuclear Fusion Reactor

China has completed construction of a thermonuclear fusion reactor, the Chinese Academy of Sciences (CAS) announced March 1. This is the Experimental Advanced Super-Conducting Tokamak (EAST), an upgrade of China's first-generation Tokamak device and the first of its kind in operation in the world, said the CAS reported. The EAST is the cheapest and most quickly built of current fusion devices, and the first to go into operation. There are some 2,000 Chinese researchers now working on thermonuclear fusion. They succeeded in generating an electrical current of 250 kilo amperes in five seconds.

China also made agreements with the French Areva company to build two nuclear reactors in southeastern China Xinhua reported March 5. In addition, Westinghouse Electric will build two other reactors in Shandong Province. Areva and Westinghouse are competing to build as many as 26 more reactors in China by 2020. China plans to import uranium from Australia, Canada, South Africa, and Kazakhstan.

Africa News Digest

Violence Increases in Somalia as Peacekeepers Arrive

The first contingent of African Union peacekeepers, made up of Ugandan troops, began arriving in the Somali capital of Mogadishu on March 6. Later that day, apparently timed to coincide with their arrival, two mortar assaults by armed groups labelled "insurgents" by the Western media, attacked forces of the interim government, and the military side of the airport where the Ugandan troops were camped. The Ugandan contingent, which is to patrol Mogadishu, is now made up of 1,200 troops, of the 1,600 Uganda has agreed to send. The previous week, 35 Ugandan officers landed in Baidoa, site of the temporary headquarters of the interim government, which has been defended by Ethiopian troops since their military intervention into Somalia last December.

An attempted ambush of Ugandan forces the next day, with a rocket-propelled grenade, missed its target, and instead killed nine Somalis, and injured numerous others, when it hit a restaurant. There were other reports of Ugandan convoys coming under fire in the city.

While the Western press generally is labelling the guerrillas as "Islamic" fighters, other sources say they suspect them to be a mixture of Islamists and clan militiamen fighting for control of Mogadishu.

One diplomat in Kampala, Uganda, cited by Reuters, said it was a suicide mission to send Ugandan troops to Somalia. The AU faces a shortage of equipment and money to successfully carry out the task.

Military Contractors in Africa

The U.S. State Department has hired DynCorp International, a large military contractor, to help support Somali peacekeepers. DynCorp has annual revenues of over \$2 billion, and has had an umbrella State Department contract since 2004 for "peacekeeping, capacity enhancement and surveillance efforts" in Africa. The Virginia-based company also has contracts in Iraq, Bosnia, and Afghanistan.

Other U.S. security companies working in Africa include: Northrop Grumman Corp., which has a contract worth up to \$75

million to support the African Contingency Operations Training and Assistance program, to train 40,000 African peacekeepers over five years; and KBR Inc., a Halliburton Co. subsidiary, which provides services to at least three military bases in Djibouti, Kenya, and Ethiopia, which are used by the U.S. Combined Joint Task Force-Horn of Africa.

Tribal Conflict Worsens in Darfur

In a March 6 closed session of the UN Security Council, UN special envoy Jan Eliasson warned of "the growing problem of tribal warfare" in Darfur, separate from government troop activities, according to a UN release March 10. He called for greater efforts to improve humanitarian conditions in Darfur. Eliasson and his AU counterpart, Salim Ahmed Salim of Tanzania, travelled to Sudan in February. The UN envoy welcomed the development, that since Feb. 11, in response to a UN request, Sudanese government forces have stopped aerial bombings of rebel positions in Darfur.

The U.S. State Department issued its annual Human Rights Report March 6, which charges that "genocide continued to ravage the Darfur region of Sudan," and holds the Sudan government responsible. The day before, a *New York Times* editorial also called the fighting in Darfur an "ongoing slaughter," and "genocide."

The British Ambassador to the UN, Emyr Jones-Parry, said that some Security Council members were exasperated with the Sudan government, and hinted at tougher action, i.e., sanctions.

Sudanese President Objects to UN Report

In November 2006, Sudanese President Omar al-Bashir agreed to a three-phase UN plan which would allow a 22,000-member joint UN-AU peacekeeping mission into the Darfur region of Sudan.

In a March 9 letter to the UNSC Bashir reportedly expressed an objection to the UN plan. Bashir insisted, according to AP on March 10, that the November agreement established that the UN would provide the AU force with technical and financial assistance, and "military consultants with ranks below that of military commander appointed by the African Union." Bashir objected specifically to a section of a UN report which stated that "full UN involvement in command and control would be a prerequisite for UN funding and troop contribution."

Bashir has said previously that giving the UN forces full military control would result in the Darfur rebellion becoming an out-of-control crisis, like Iraq.

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