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## **EIR is not published this week.**

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### **Patriotism in Brief**

## **The Rebirth of Our Nation!**

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

*The LaRouche Political Action Committee issued the following release on Independence Day, July 4, 2007.*

The universe which we inhabit is enormous; but, nonetheless, big things in history, such as the births of Nicholas of Cusa, Johannes Kepler, Gottfried Leibniz, and Albert Einstein, sometimes begin from small places.

From where I was born, in Rochester, New Hampshire, it was a short drive into the nearby state of Maine, to a place named Wells Beach, where I first enjoyed meetings with the ocean, where my pursuit of the curious first met some relevant varieties of crustaceans. A short distance northward, from Wells, along the Maine coast road, lay Kennebunk, Maine, and, nearby, off to the right, Kennebunkport.

A familiar haunt? In a manner of speaking, since recent days events, Kennebunkport haunts the world at large, because, in fact, it might turn out to be a place where the direction of current U.S. history was changed somewhat, hopefully very much for the better.

There are no secure guarantees flowing from the now world-famous meetings between the family household of President George W. Bush, Jr. and President Vladimir Putin. Nonetheless, while there are no guarantees, the outcome of that meeting could prove to be hopeful, if the right selection of both Democratic and Republican leading figures agree to view this opportunity in just the right way.

The points to be made are chiefly the following:

1. The possibility of escaping from the current set of globally menacing crises depends absolutely on the keystone role of a new quality of cooperation among the principal nation-state powers of the planet: the U.S.A., Russia, China, and India. If those nations come to the needed form of agreement, on the condition that the U.S. Presidency promotes this alternative, the majority among other nations of the world can be brought into cooperation in ways which will deal with both the presently exploding world monetary-financial-economic crisis and the spread of military and related conflicts.
2. President George W. Bush's willingness to cooperate with Russia's President Vladimir Putin, is, at this moment, an

indispensable, crucial precondition to any successful approach to the complex of armed conflict and monetary-financial collapse whose effects grip the world as a whole at this instant.

3. The crucial feature of the hopeful aspect of the meeting of the Bush family with President Putin is simply President George W. Bush's commitment to an efficient spirit of seeking cooperation with President Putin on the most crucial of the global economic and other conflicts menacing the planet at this moment.

4. On the condition that the incumbent President Bush embraces that specific quality of intent, and leaves the details of implementation to willing and competent associates from both leading U.S. political parties, actual remedies for the principal economic and other crises of the planet are available.

It is notable, that former U.S. President Bill Clinton is a crucially significant leading figure in any worthy attempt to realize the benefits lurking within the setting of the recently celebrated Kennebunkport event. The former President has grown enormously in wisdom and stature since the period he served in that office. I shall not list here his achievements on that account, but they are reasonably well known, and have been of crucial importance for our nation in the building of the preconditions which might lead to a successful outcome of the recent Kennebunkport events.

What is needed urgently is a dialogue among certain leading individual personalities from both of our major parties, a dialogue which rises above, and somewhat away from the hysterical partisanship over small ideas which has dominated the Presidential pre-election activity thus far. As the dialogue between Presidents Putin and Bush attests, there are certain categorical subjects of sought agreement among a planet of perfectly sovereign nation-states, especially economic and security agreements akin to the March 1983 proposal of SDI by President Ronald Reagan, on which the general economic welfare, peace, and security of the planet's nations depend absolutely at this immediate juncture in a crisis-stricken world history.

The predominance of desire for immediate cessation of the worsening of the conflicts of the Southwest Asia theater, a desire which dominates all sane circles in our own republic, as in continental western Europe and leading nations of Asia now, is the pivotal issue around which a common and urgent interest of mankind can be defined, what must be perceived as a common economic and security interest of the sovereign nation-states of the world at large today.

No success is guaranteed; but, at what has been our global moment of ugly darkness, this is a brief opportunity for change which exists, and which must not be wasted.

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

### **Dana Corp. Joins in the Slaughter of Auto Workers**

July 7 (EIRNS)—Hot on the heels of the UAW wage-slashing agreement with Delphi last month, on July 6 the UAW and the United Steelworkers Association reached an historic accord with the bankrupt auto-parts supplier Dana Corp. The two unions agreed to take over the management of their retiree health-care plans from Dana after a lump-sum payment into the plans by Dana. Most of the funding for this scheme is coming from the private equity company Centerbridge Capital Partners LP, which will put up \$500 million of its own funds, plus \$250 million it will round up from other investors. In return, the buyout firm will gain 25% ownership in Dana. Dana benefits to the tune of \$1.1 billion by removing retiree health obligations from its books as it seeks to emerge from bankruptcy.

Other concessions by the unions include a new, two-tier wage structure, whereby new workers will start at \$14 per hour, while established workers retain their present wages. Furthermore, according to today's Bloomberg, the plan "freezes

defined benefit pension plans for union employees and arranges for buyouts of some retirement eligible or recently retired employees at some factories." The agreement must still be voted on by the rank-and-file of the two unions.

The new health-care trust funds—Voluntary Employees' Beneficiary Associations (VEBA)—and the two-tier wage structure are being rolled out as the template for contract negotiations coming up this Summer between the UAW and associated unions, and the "Big Three" automakers. In December 2006, Goodyear Tire broke ground with a similar deal with the United Steelworkers.

### **Beware the 'Bare Sterns' as More Hedge Funds Sink**

July 4 (EIRNS)—In a sign of the collapsing credit market, United Capital Asset Management, an important player in asset-backed securities, said July 3 it has halted investor redemptions on four of its Horizon hedge funds that manage over \$500 million, after suffering losses on bad bets in the subprime mortgage market. On the heels of the near-collapse of two Bear Stearns hedge funds, United Capital sold "a large amount" of cash securities in the market to cover "an unusually high number of redemptions requests" in the past ten days. Because of trading losses related to derivatives on subprime mortgages and market repricing, United Capital expects the funds to have lost money both in June and for all of 2007. The investment firm has even stopped trading in the synthetic structured finance markets completely, because they are "highly volatile," while insisting it was "not currently in a liquidation mode."

"We're going to see more problems at more firms; the unraveling process has started," hedge fund manager Alan Fournier of Pennant Capital Management LLC was quoted as saying by today's *Wall Street Journal*.

### **Another Hedge Fund Closing Down**

July 5 (EIRNS)—The *Wall Street Journal* reports today that Braddock Financial Corp. of Denver is closing its \$300 million Galena Street Fund, which mainly invests in subprime mortgages, and is suspending redemptions (payments to investors in the fund who want to get out) until it can sell some of its assets.

This is the second announcement in two business days of a hedge fund "closing the door" to withdrawals by its investors—a reaction to the crisis which the Bank for International Settlements recently warned, could itself cause a financial crisis. On July 3, United Capital Assets Management, a much larger hedge fund, with \$906 million in assets, blocked any withdrawals by investors, after reporting losses.

Galena was hedging its investments by "shorting" on them (betting that they'd *decrease* in value), so that if the value of the investment went down, the "short" bet would go up. Unfortunately for Galena and its investors, the hedges have recently not balanced out quite so neatly.

### **Chrysler, Without Daimler, Is Dumped into Junk Status**

July 2 (EIRNS)—Both Moody's and Standard & Poor's rating services have dumped Chrysler stock into "speculative-grade credit rating" status, commonly called "junk." The fourth-largest American auto maker is six levels below investment grade at Moody's, and five under at S&P, with the financial services division only slightly higher. As the high-yield loan market disintegrates due to the subprime mortgage collapse, Chrysler's efforts to raise \$20 billion to pay for its own buyout by hedge fund vulture Cerberus, are running into trouble. Chrysler is forced to offer loan-shark rates of 6 percentage points over LIBOR (London Inter Bank Offered Rate), according to Bloomberg today, quoting sources who refused to be identified.

## **Hedge-Fund Crisis Spurs Two Congressional Hearings**

July 3 (EIRNS)—In light of a growing credit markets crisis centered on hedge-fund failures and the mortgage-based securities and derivatives they trade, two Congressional committees reportedly have scheduled new hearings on hedge funds in July.

In a rare event, the chiefs or deputies of the Treasury, Federal Reserve, Securities and Exchange Commission, and Commodity Futures Trading Commission will testify before the House Financial Services Committee on July 11. Collectively, these are the famous and usually secretive President's Working Group on Financial Markets, colloquially known as the "Plunge Protection Committee," which monitors for market crises and plans liquidity interventions or bailouts to head them off.

Congressional sources say the Committee will be asking hard questions of the market supremos, in light of the multiple hedge funds that are leaning or falling like dominoes as the U.S. mortgage-bubble meltdown hits international credit markets. The failures of two large Bear Stearns investment bank-operated hedge funds has exposed an international "shredding" of inflated securities values in progress.

Other sources report that the House Ways and Means Committee will also hold a hearing examining the hedge fund problem in July, though a date is not yet set.

## **More American Adults Than Ever Have No Health Coverage**

July 4 (EIRNS)—Figures released by the Centers for Disease Control show that the number of non-elderly adults in the United States who do not have health insurance, is rising. Elderly Americans have health care provided under Medicare—a program that has been under attack by the White House.

The CDC survey—called the 2006 National Health Survey—found that the number of uninsured adults between the ages of 18 and 64 increased from 34.5 million in 2005, to 35.6 million in 2006, an increase of 2.1 million in one year. The percentage increase of the non-elderly adults from 18.9% in 2005, to 19.8% in 2006, was deemed by the CDC to be "statistically significant."

Both the number and percentage of children under 18 without any health insurance is also increasing, from 6.5 million or 8.9% in 2005, to 6.8 million or 9.3% in 2006.

## **World Economic News**

### **Nuclear Expert: World Can Build Five Reactors Per Week**

July 7 (EIRNS)—"If the OECD countries, plus China and India, were to build at France's 1980s start-up rate, the result would be five reactors per week, rather than one," stated John Ritch, director-general of the World Nuclear Association, on July 4. France built an average of 3.4 reactors per year from 1977 to 1993, achieving a nuclear share of electricity near 80%. Ritch was responding to a new report issued by the Oxford Research Group in Britain, "Too Hot to Handle? The Future of Civil Nuclear Power." This report concludes that "nuclear power should be taken out of the energy mix," because of concerns with proliferation and safety, and because it would be impossible to build even 48 new reactors per year, between now and 2075. This is the construction rate the Oxford report says would be required to combat global warming.

"Whereas the authors dismiss as a pipedream the idea that the world's nations might somehow combine to build one reactor a week," Ritch said, "the future expansion of nuclear power will probably be even more rapid." Ritch labelled the Oxford report as "a grab bag of fatuities that blends ignorance and ideology in equal measure." His remarks were reported in the *World Nuclear News*.

## **What 'Growing Economy'? June Auto Sales Fall Worldwide**

July 3 (EIRNS)—Against forecasts and "expectations" of an auto sales rise in June, U.S. sales appear to have fallen 3% from a year ago's low levels, and auto sales fell more steeply in France, Germany, and Japan.

In the United States, 16 automakers, alphabetically from Audi to Volkswagen, reported that they sold 1,428,163 cars and light trucks in June, down 5% from the previous month, and down 2.95% from their June 2006 total of 1,469,030 units. Up to the last few days, auto analysts had been forecasting an increase in June sales, because the automakers have returned to substantial dealer incentives and discounts to move their inventories. But it could not revive the exhausted U.S. household debt bubble. GM and Ford had substantial declines; Chrysler, which was expected to report an increase, said its sales fell 1.8% instead. Japanese automakers increased in their U.S. sales, but Korean automakers' sales fell.

In France, June auto sales were announced as 3.2% down from one year ago. In Germany, the drop was 7.0%, according to the auto industry confederation, which is now forecasting that German sales for the year will wind up 8.6% lower than the level of 2006. And in Japan—despite the Japanese automakers' rising sales in the United States—total sales were down 11% from a year earlier, making June the 14th straight month of falling sales.

## **Good News from Germany: Locust Funds Begin Pull-Out**

July 7 (EIRNS)—The prospect of new legislation regulating activities of hedge funds and private equity funds in Germany, and the flop of speculative profit expectations, especially on the German housing and real estate markets, apparently have led fund managers to the conclusion that "this is not a good country to stay in." That is also the conclusion in an international overview report for the private equity sector, just published in London, and reported in the *Frankfurter Allgemeine Zeitung* today: Germany is getting a very negative rating, because of "excessive regulation of the labor market, too high wages, and the tax burden on enterprises." For equity funds, conditions on the German market are "outspokenly miserable," the report concludes.

Another problem for funds is that German enterprises are overly "oriented towards the employees, labor unions, clients, and the influence of the state, and never focus on the interests of the shareholders." Cerberus is already pulling out, selling about 30,000 apartments owned by its daughter firm Baubecan; and Goldman Sachs, is announcing the sale of corporate real estate just purchased in early May. The U.S. fund Oaktree also sold apartments, and other funds are said to be following soon.

## **Watchdog: U.K. Subprime Mortgages in Big Trouble**

July 4 (EIRNS)—The U.K. Financial Services Authority (FSA) today warned of "serious wider consequences" if mortgage lenders continue expanding the subprime mortgage market in the U.K. Based on a review of over half the subprime lenders—some 11 firms and 34 brokers—FSA Managing Director for Retail Markets Clive Briault issued a statement saying that, "Poor sales practices in this market may lead to serious wider consequences."

Different estimates put the U.K. subprime sector at 6-8% of the whole mortgage market, and the London *Daily Telegraph* reports that its overall scope is some 30 billion pounds (US\$60 billion). U.K. consumers are burdened with an unpayable

1.3 trillion pounds (US\$2.6 trillion) in personal debt, about 80% of that mortgage debt. The cost of servicing debt in Britain is the highest since 1992, and interest rates are expected to go even higher. Already, personal bankruptcies in the U.K. are up 24% over a year ago, Bloomberg reported July 4.

None of the lenders reviewed by the FSA had "adequately covered" all lending considerations in giving out mortgages. Over half the subprime customers had "self-certified" their income, even though the vast majority were salaried workers, and their financial situation could have been checked by the lender. Already, five out of 34 subprime mortgage brokers are being investigated by the FSA enforcement division, and more may follow.

### **Hong Kong Chief Banker: Hedge Funds Could Take Banks Down**

July 5 (EIRNS)—Joseph Yam, Chief Executive of the Hong Kong Monetary Authority (HKMA), warned of a panic in the system coming from exactly the type of crisis unfolding now around Bear Stearns.

Writing today in the "Viewpoint" column on the HKMA website, Yam said that hedge funds threaten "significant systemic risk" which is "most likely to arise from the failure of a systemically important hedge fund that has large exposures to other financial institutions." Yam points to the Amaranth and Bear Stearns crises, noting that such a hedge-fund failure, "and any panic sell-off afterwards, could push up the risk premium, causing a sharp decline in asset prices that might eventually drain the market of liquidity. It might also trigger herding behavior among some less sophisticated hedge funds."

Yam also notes that the "potential systemic risk from hedge funds is further amplified by their unstable capital base, which is likely to shrink quickly in times of stress, either because of redemption by the investors, or the funds' leverage ratio being too high. The latter problem is becoming more acute, because it is difficult to accurately measure the embedded leverage in complex structured products."

### **30% of Hedge Funds in Illiquid Securities Puff Profits**

July 5 (EIRNS)—HedgeWorld.com reported on July 3, that a recent research report by the Paris risk-management firm Riskdata shows that 30% of the hedge funds dealing in illiquid securities "smooth" their returns, i.e., they over-state their profits or under-state their losses. "Illiquid" securities are those not traded quickly and easily (e.g., stocks and bonds). Unlike liquid securities, whose valuations are set via numerous transactions in their market, illiquid securities (e.g., mortgage-backed securities) are usually assigned values by the firms holding those securities. HedgeWorld says this overstating of values is a third reason for the recent collapse of the two Bear Stearns hedge funds, beyond the frequently cited meltdown of the subprime mortgage market and the over-leveraging of the funds.

## **United States News Digest**

### **Putin, Bush Agree on Importance of Relationship**

July 3 (EIRNS)—President George Bush and Russian President Vladimir Putin held a mini-press conference at the end of the "Lobster Summit" in Kennebunkport, Maine on July 2, with both underlining the importance of the U.S.-Russian relationship.

The informal meetings seemed to clear the air of some of the tension that has been building over the recent weeks and months because of U.S. policies. Putin went out of his way to thank the Bush family for their warm reception. George H.

W. and Barbara Bush arranged the dinners in such a way that they themselves could interface with all the participants, Putin aide Sergei Prikhodko had told reporters yesterday. "I do believe that we have to learn something from the older generation," Putin said. "And the attitude shown both to me and to the members of my delegation was way beyond the official and protocol needs." Putin had also taken up the issue of the Second World War, talking about the great losses at the siege of Leningrad, and the impact of that on his own family.

On the issue of missile defense, Bush again heaped praise on Putin's proposal that the discussion should be broadened in the context of the NATO-Russia Council. Bush also praised the economic development of Russia since the end of the Soviet Union. While neither side has changed its opinion on the issue of the Czech-Poland deployment vs. the radar in Azerbaijan, they have left enough "wiggle-room" perhaps to work towards finding a solution to their differences. Putin commented that in their negotiations on points of controversy they were "seeking the points of coincidence in our positions," noting that "very frequently we do find them...."

When questioned about the Poland-Czech decision, U.S. National Security Advisor Stephen Hadley commented, "What the President has said is, look, let's get all the pieces on the table and start from the proposition—there is a common threat to Russia, Europe and the United States, let's do an assessment of that threat, let's talk about all the ideas that are on the table about how to deal with that threat, and let's come up with a system that can be an example of regional cooperation that protects Russia, Europe, and the United States."

On Iran, Hadley indicated that the U.S. was following a dual track. President Bush is insistent on moving for stronger sanctions against Iran at the UN Security Council and hopes to get the support of Russia. Much of the discussion today was on Iran. "I have been counting on the Russians' support to send a clear message to the Iranians, and that support and that message is a strong message," Bush said, "and, hopefully, we'll be able to convince the regime that we have no problems with the people in Iran, but we do have a problem with a regime that is in defiance of international norms. And so we discussed a variety of ways to continue sending a joint message." At the same time, Putin noted some hopeful signs coming out of the IAEA talks with the Iranians. Hadley indicated that the U.S. would be watching to see if anything came out of these discussions.

Hadley noted that the U.S. and Russia had just signed a nuclear cooperation agreement on June 29 (initialed by the Presidents at Kennebunkport), and that Russian Foreign Minister Sergei Lavrov would be signing an agreement on a joint nuclear non-proliferation proposal at the beginning of the week. The two sides would also start work on a follow-up to the START agreements on nuclear arms limitations, which will end in 2008.

### **Clinton: Revive Reagan's SDI Offer to Russia**

July 2 (EIRNS)—Former President Bill Clinton, speaking in Ukraine on June 29, denounced the Bush-Cheney plan for missile defense systems in Eastern Europe as a "colossal waste of money" for a system which is not "reliable enough to create an impact." He said that the U.S. was "creating a crisis here where none is necessary."

Most importantly, Clinton called for a return to the original proposal by President Ronald Reagan on March 23, 1983, for the U.S. and the U.S.S.R. to collaborate on building missile defense systems based on new physical principles. "He wanted the Russians to have it, he wanted everyone to have it," Clinton told the Yalta European Strategy (YES) annual conference in Yalta, Ukraine.

This echoes the long-standing policy of Lyndon LaRouche—in fact, it was LaRouche who convinced Reagan to adopt the original policy, and the proposal for cooperation with the Soviets. The Soviet rejection of that offer was a major cause of the demise of the Soviet economy and the Soviet Union itself.

But it also brings to mind the April 1993 proposal by Russian President Boris Yeltsin to U.S. President Clinton, at their summit in Vancouver, to revive the Reagan proposal of 1983. As described in *Izvestia* on April 2, 1993, the proposal, called "Trust," was to have the U.S. and Russia jointly test the plasma anti-missile weapons systems then under development by the Russians. (*21st Century Science & Technology* ran a cover story on the plan in its Summer 1993 issue.) Contacts between U.S. and Russian specialists in this area continued throughout the 1990s, though not as extensively as the original proposal, until they were stopped under the George W. Bush Administration.

### **Kucinich on July 4: Impeach Cheney To Defend the Constitution**

July 5 (EIRNS)—During an interview on CNN's "Situation Room" on Independence Day, Rep. Dennis Kucinich (D-Ohio) was asked about his resolution to impeach Dick Cheney (HR 333), and why he's doing it, since top Democrats, including House Speaker Nancy Pelosi, don't support it.

"There's over a dozen members of Congress now who do support it," Kucinich responded. "And I think more and more people are looking at the conduct of the Office of the Vice President and are very concerned."

Moreover, he said, "The American people, I believe, support standing for the Constitution. And they're looking at all of these other candidates for President and want to find out who will stand for the Constitution, who will set high standards. You hold high office, you ought to be held to high standards. You ought to keep your oath of office. The Vice President did not. He's responsible for standing up for the Constitution and the laws of this country."

"And, frankly, this is about the Constitution. It is a sacred document. On this day of all days, we ought to be standing for our Constitution."

### **Domenici Joins Call for a Change in Iraq Strategy**

July 5 (EIRNS)—Sen. Pete Domenici (R-N.M.) today joined a growing chorus of Republicans who are calling for a change in course in U.S. military strategy in Iraq—sooner rather than later. Domenici said in a press release that he now supports Senate bipartisan bill S. 1545, the Iraq Study Group Recommendations Implementation Act. This bill was introduced in June by Sens. Lamar Alexander (R-Tenn.) and Ken Salazar (D-Colo.).

"I am unwilling to continue our current strategy" in Iraq, Domenici said in a statement. "I do support a new strategy that will move our troops out of combat operations and on the path to coming home."

S. 1545 calls on the Bush Administration to implement the Iraq Study Group's recommendations and is intended to create conditions that could allow a draw-down of American combat forces in Iraq by March 2008.

### **Libby Commutation Challenged by Judge, Judiciary Committee**

July 4 (EIRNS)—Rep. John Conyers (D-Mich.) announced today that he will hold hearings of the House Judiciary Committee, which he chairs, on July 11, on President George Bush's July 2 decision to commute the sentence of former Vice Presidential chief of staff Lewis Libby before he served any time in jail. On July 3, Conyers issued a statement which stated, in part: "In light of yesterday's announcement by the President that he was commuting the prison sentence for Scooter Libby, it is imperative that Congress look into presidential authority to grant clemency, and how such power may be abused. Taken to its extreme, the use of such authority could completely circumvent the law enforcement process and prevent credible efforts to investigate wrongdoing in the executive branch."

In response to Bush's announcement, Judge Reggie Walton, the presiding and sentencing judge in the Libby trial, issued an order in the case on July 3, also questioning the legality of the Presidential commutation of Libby's jail term. "It has been brought to the Court's attention that the United States Probation Office for the District of Columbia intends to contact [Libby] imminently to require him to begin his term of supervised release. Strictly construed, the statute authorizing the imposition of supervised release indicates that such release should occur only after the defendant has already served a term of imprisonment."

Judge Walton's statement concluded, "[Section 3583, the law in question] does not appear to contemplate a situation in which a defendant may be placed under supervised release without first completing a term of incarceration."

Lyndon LaRouche has emphasized that the announcement by President Bush that he was commuting Libby's sentence did not amount to a victory for Vice President Dick Cheney, who was, according to Washington sources, pressing for a pardon for his former top aide. The action by Bush does not at all remove the fact of Libby's conviction on serious felony charges, and a substantial financial penalty and two years of probation.

### **Leahy: This is America, Not a Dictatorship**

July 1 (EIRNS)—Speaking on NBC's Meet the Press, Sen. Patrick Leahy (D-Vt.), chairman of the Senate Judiciary Committee, said that White House officials could be cited for contempt of Congress if they don't cooperate on subpoenas issued to them. Vice President Dick Cheney's buddy Tim Russert, the show's host, tried to suggest to Leahy that his inquiries on wiretaps would impair the effort to stop terrorists. Leahy said the committee is not asking for operational details, but for the Administration's legal justification for the warrantless wiretap program.

When asked about his characterization of the Administration as "Nixonian," Leahy said they take the attitude that they are above the law. "In America, no one is above the law.... This is America, not a dictatorship."

If the White House doesn't cooperate, the committee will seek to hold it in contempt of Congress. "Yes, I'd go that far," Leahy said, noting that this would require a vote of the full House and Senate; then it would go to a U.S. Attorney for prosecution; he said it would be very difficult for a prosecutor not to prosecute on this.

### **The White House/Cheney-Cayman Island Connection**

July 1 (EIRNS)—What does Vice President Dick Cheney have to do with the Cayman Islands, the British Crown colony under Anglo-Dutch oligarchical control, which is the center for 8,000 hedge funds—three-quarters of the world's total? A lot.

According to an article in today's *New York Times* headlined, "A Hamptons for Hedge Funds," during the Spring of 2007, a group of representatives from the Cayman Islands traveled to the United States to lobby for an "improved image," and to counter potential legislation that would regulate hedge funds. They lobbied the Securities and Exchange Commission, the U.S. Treasury, members of the Senate Banking Committee, and ... Dick Cheney, not someone who would usually be on their circuit. Cheney's office refused to respond to the *Times* as to why he met with the Cayman Islands reps.

But there is more.

In 2000, the Financial Information Task Force, an independent international body that was established to combat money laundering and terrorist financing, placed the Cayman Islands on an international blacklist, designating it as a non-cooperating, money-laundering nation. In 2001, the Cayman government paid \$74,300 to Fred F. Fielding, then a well-

connected Washington lawyer, according to the *Times*, "to help persuade American officials to lean on the international task force to remove the Caymans from the list." The Cayman Islands were in fact taken off the list. And Fred Fielding is now the White House's chief counsel!

## Ibero-American News Digest

### **LaRouche: Bank of the South Delay Linked to BAE**

July 5 (EIRNS)—Today, the Lyndon LaRouche Political Action Committee (LPAC) issued the following release:

The intended late June signing of the founding document of the new Bank of the South by the Presidents of Argentina, Bolivia, Brazil, Ecuador, Paraguay and Venezuela, has been postponed to an unspecified date later this year. Although the announced reason for the delay is disagreements over issues such as capital contributions and voting rights of the members, and the location of the new bank's headquarters, U.S. statesman Lyndon LaRouche today pointed to the fundamental issue at stake:

"The Bank of the South is a matter of life and death for the nations of South America, as the international financial and monetary system plunges rapidly into disintegration. As I noted in a June 29 interview on Ecuadorean radio: 'It is my hope that the Bank of the South, would function as a vehicle commonly used by sovereign nation-states of South America, to maintain sovereignty, number one; but as a necessary vehicle of the type I specified back in August of 1982. It is the exchange of long-term credit among nations, for projects in common interest. You need a system of fixed-exchange-rate agreements among nations, in order to do that.'

"The founding of the Bank of the South poses a problem in South America for financial interests typified by the Spanish Santander and BBVA banks, which are extensions of the British Empire's scandal-ridden BAE company," LaRouche said.

As LaRouche and his associates have extensively documented, the British defense firm BAE Systems is at the center of "The Scandal of the Century," having generated a slush fund in the range of \$100 billion through its "Al-Yamamah" deal with Saudi Prince Bandar, which has been used for black operations, destabilizations, and coups around the world. Chilean fascist dictator Augusto Pinochet, for example, was an integral part of the BAE's weapons-and-murder apparatus in South America. The BAE has functioned for decades as an instrument of the British Empire, as such.

Santander Bank is intimately associated with the Royal Bank of Scotland, one of the Queen's leading personal financial institutions, and has developed widespread financial and political influence across South America. For example, high-level "former" Santander officials have managed to insinuate themselves into prominent positions, including cabinet posts, within Brazil's Lula government, and are known to be violently hostile to the idea of the Bank of the South, and President Lula's stated commitment to the new financial institution.

### **Kirchner, Correa Counterattack Against BAE Oil Cartel**

July 5 (EIRNS)—Shell Oil Company faces millions of dollars in fines and possible jail time for its executives in Argentina, for its failure to supply sufficient fuel to the market, as required by law, Economics Minister Felisa Miceli announced on July 2. The country has been facing artificially created shortages, particularly of diesel fuel, just as the planting season begins.

Miceli's announcement followed President Néstor Kirchner's warning to the Common Market of the South (Mercosur)

summit in Paraguay on June 29, that the oil companies were "wearing out" the patience of the region, with their refusal to meet its energy needs. South America is finally growing again, after years of deliberate disinvestment, and that requires increased power. We may have to act resolutely together, including investing in regional projects, to insure that "the global development necessities of the peoples of our region" prevail over the "whims" of individual interests, Kirchner told the Presidents of Bolivia, Brazil, Chile, Ecuador, Paraguay, and Uruguay who attended the summit.

Two days later, Ecuadoran President Rafael Correa warned citizens that gas shortages were being deliberately created in their country, to destabilize his government. These are familiar tactics which the oligarchy throws against patriotic governments, as was done in Chile in the 1970s, Correa told Radio Tarqui in Quito, referencing the oil companies' role in the destabilization used to bring dictator Gen. Augusto Pinochet to power.

The targetting of Shell Oil and the reference to the Pinochet precedent are precise hits at the BAE-centered financial complex which is desperate to crush South America's adoption of Franklin Roosevelt-style policies of sovereign, economic growth. Both—Shell Oil and dictator Pinochet—now stand exposed as central players for more than two decades in the would-be global government apparatus of which BAE is a part.

Regional cooperation to defeat such tactics are in the works. Today, the Brazilian government announced it would be increasing its sales of electricity to Argentina, at a price barely above cost; and on July 4, following a meeting with Kirchner, Bolivian Vice President Alvaro Garcia Linera reported that they had agreed that their state oil companies will jointly develop Bolivia's giant gas fields, if the oil cartel fails to make needed investments on time.

### **Correa: Bank of South Key to New Financial Architecture**

July 2 (EIRNS)—Ecuadorian President Rafael Correa addressed "the extreme importance" of the Bank of the South, in his speech to the summit of the Common Market of the South (Mercosur) in Asuncion, Paraguay. Ecuador is not a member of Mercosur, but is exploring the possibilities of joining in the near future, according to Foreign Minister Maria Fernanda Espinoza, who attended the summit with President Correa.

True integration will be very difficult unless we can increase our independence from certain extra-regional interests, and that requires financial independence, Correa told his fellow South American Presidents. It is absurd that the nations of Ibero-America export capital to the First World, and then are told they must kneel before the International Monetary Fund, World Bank, Inter-American Development Bank, etc., to beg for a few dollars. We must seek a new financial architecture for the region, with our own institutions, to end the destructive policies of neoliberalism, he emphasized, according to the report on the Ecuadorian Presidential website.

At home, Correa is in an all-out war with private financial interests which refuse to accept that they must submit to government regulation and the interests of the general welfare. The President insists it is the government's responsibility to set interest rates, eliminate unfair commissions, and lower the costs of financial services, and introduced a bill to that effect which is now before the Congress. On June 30, Correa told Ecuadorians to keep a close watch on Congress, because they will learn this week "who is with the bankers and who is with the country."

### **Argentine First Lady Will Run for President**

July 3 (EIRNS)—Sen. Cristina Fernández de Kirchner will run for President of Argentina in the Oct. 28 elections, instead of her husband, President Néstor Kirchner. This was announced July 1 by Minister of the Presidency Alberto Fernández, who said it would be made official at a campaign event on July 19.

Which of the two Kirchners would run has been discussed for some time, a debate fueled by President Kirchner himself some months back with a quip that it wasn't known whether the ruling Peronist Party's candidate would be the "Penguin"—his nickname—or "Mrs. Penguin" ("Pinguina"). Now it is official.

From the Argentine Senate and in her international travels, Senator Kirchner has participated in the fight led by her husband to restore Argentina's national sovereignty and economic growth, after the country imploded in 2001, stripped bare by international financial interests. In a March 21, 2007 speech to the Latin American College of Social Sciences (FLASCO) in Quito, Ecuador, stressing the need for Ibero-America to integrate and develop together, the First Lady explained that Franklin D. Roosevelt and his New Deal policies had been the inspiration for Kirchner government's strategy of rebuilding the country around public works and infrastructure. "We had copied it from the New Deal ... when Roosevelt through the New Deal and public works ... strongly reactivated the whole economy," she explained. (See the April 7, 2007 *EIR*.)

U.S. statesman Lyndon LaRouche extended his "best personal wishes to her," when informed Senator Kirchner would be running.

## **Slaves Freed at Brazilian Plantation for Ethanol**

July 5 (EIRNS)—On June 30, Brazil's anti-slavery SWAT team freed 1,108 sugar-cane workers held in "conditions analogous to slavery," on the plantation of one of the biggest ethanol producers in the northeastern state of Para. This was the largest number of workers to be freed from conditions of slavery in recent Brazilian history, surpassing the previous record of 1,000 workers freed in 2005, when a sugar-cane plantation was raided in the state of Mato Grosso. That plantation, too, produced ethanol.

Most of the sugar-cane workers at the Para plantation of the Pagrisa company, of Para Pastoral e Agricola, SA, had been lured in from nearby states, with the promise that they would receive wages high enough to send money back to their families. Once there, they found it was "like being in prison." They were forced to work 14-hour days and sleep piled on top of one another; many suffered diarrhea and nausea from the rancid food and contaminated drinking water provided; they went many days without being able to bathe; and at the end of the month, most either received no pay, or were informed they owed the company money, because of exorbitant deductions from their salaries for food, transportation, etc.

Exactly the modus operandi of that old Gore family mine memorialized in the famous American song, "Sixteen Tons."

Following the raid, the Brazilian state oil company, Petrobras, announced that it will suspend its ethanol purchase contract with Pagrisa, which produces some 13 million gallons of biofuel a year from that 2,200-plus-acre plantation in Para. The state legislature is discussing suspending lucrative tax breaks provided the company.

## **Western European News Digest**

### **British Prime Minister Refuses to Reopen Probe of BAE**

July 4 (EIRNS)—U.K. Prime Minister Gordon Brown rejected a call to reopen the Serious Fraud Office investigation of BAE-Saudi arms deal, insisting the decision to prosecute is "not a matter for the prime minister or for the government." This was in response to a request by Liberal Democrat leader Sir Menzies Campbell, who asked, "Will he order the reopening of the investigation into allegations of corruption into arms sale?"

## **U.S. Congress Stalls Polish Missile Defense**

July 5 (EIRNS)—The anti-missile defense system which has put Europe in the middle of another U.S. and Moscow conflict may never get funded. Because it doesn't work.

The Senate Armed Services Committee is delaying funding for construction of ten interceptor missile sites in Poland and for an X-band radar in the Czech Republic, according to today's *Washington Post*. The House, in passing its version of the 2008 Defense Authorization Bill last month, cut \$40 million which would have funded work on the Polish sites for next year.

One of the reasons for the objections from the senators is that Moscow opposes the deployment. The Armed Services Committee report on the bill said that any funding should await completion of talks between the two nations, the *Post* reports. The Senate panel also noted that the interceptor missile for Poland is not even developed yet.

## **Stoiber Supports Putin Proposal for Joint Missile Defense**

July 6 (EIRNS)—After his meeting with Russian President Vladimir Putin in Moscow yesterday, Edmund Stoiber, governor of the German state of Bavaria, said that he supports Putin's proposal for joint missile defense development between Russia and NATO. The Russian variant is preferred by Germany, and is better conceived to protect Europe, Stoiber said, adding that missile threats could be monitored and assessed from two centers, one in Moscow and the other in Brussels. He also mentioned that Putin briefed him on the Kennebunkport summit talks.

"I'd like to express gratitude to the Russian President for informing me about his recent talks with President George Bush on missile defense," Stoiber said. "The Russian President explained that there were two variants. The first one is that it will be deployed as the Americans want: with bases in Poland and the Czech Republic that will, certainly, lead to toughening positions, and ... complicates cooperation between Russia and the U.S., and Russia and NATO. The second variant is that to do everything jointly under the auspices of the Russia-NATO Council, with the two information centers in Moscow and Brussels, in compliance with a plan under which, in addition to the radar station in Gabala (Azerbaijan), a radar station may be built in southern Russia."

I believe that the position of Germany and the German government, and in any case of my [Bavarian state] government and my [CSU] party, is absolutely clear: we favor the second variant; we favor close cooperation in order to defend all Europe and not its separate parts," the Stoiber said.

Stoiber also said he would inform German Chancellor Angela Merkel about the results of his meeting with Putin. "I should say Germany's federal government supported the second variant—cooperation between the sides—and not America's actions alone for the sake of America itself, that may lead to difficulties for Europe, and this is not our goal," he added.

## **Denmark and Germany Will Build Fehmarn Belt Bridge**

June 30 (EIRNS)—The governments of Denmark and Germany yesterday signed the long-awaited agreement to build the Fehmarn Belt Bridge, which will link the two nations across the Baltic Sea. At present, the crossing has to be made by ferry.

The agreement came after a long period of obstruction on the German side, which even lasted into the final round of talks in Berlin. The German resistance was linked to the government's hesitancy to provide state credit for the project. The two sides finally agreed to "share" the costs of the project: 85%, or 4.8 billion euros, will be covered by Denmark, the

remaining 15%, or 800 million, by Germany. The bridge will, therefore, be a "Danish bridge," after completion by 2018.

Details of the agreement still have to be negotiated. The Christian Democrats in the state parliament of Schleswig-Holstein, the German terminus of the bridge, wholeheartedly welcomed the deal, calling it the "most important infrastructure link between the continent and Scandinavia in the past 50 years."

### **German Foreign Minister: 'Revive Europe-Asia Silk Road'**

June 30 (EIRNS)—German Foreign Minister Frank-Walter Steinmeier had an op-ed published in today's *Frankfurter Allgemeine Zeitung*, under the headline, "Revive the Silk Road," in which he endorsed intensified relations and cooperation between Europe and the Central Asian states, centered on energy and the region's role as a pivot between Europe and Asia. For too many years, the region remained a "white spot on the map, for us Europeans," Steinmeier noted. "The myth of the Silk Road and the exchange of wealth that went along with it, were entirely forgotten." This shall change, he added, mentioning a European role in the improvement of water resources management; this refers to the project of a German-funded Water Academy in Bishkek, Kyrgyzstan. The new Central Asia strategy of the European Union is one of the successes of the German EU presidency, Steinmeier wrote.

### **EU Joins Campaign vs. Italian Social Expenditures**

June 30 (EIRNS)—EU Economic and Monetary Affairs Commission chairman Joaquin Almunia has joined the chorus of vultures who have demanded that the Italian government use tax revenue surpluses to balance its budget, instead of funding needed social programs. Almunia expressed deep worries about the government draft budget, issued yesterday, because it is not in agreement with the Eurogroup guidelines, according to the daily *Il Mattino*.

The Eurogroup includes EU members who have already adopted the single currency. Eurogroup chairman Jean-Claude Juncker, who is also Prime Minister of the bankers' mini-state Luxembourg, had issued decree-like statements against Italy on June 28. Italy's Undersecretary of Economic Development, Deputy Minister Alfonso Gianni, accused Juncker and others of aiming to overthrow the Italian government, in statements Gianni released to *EIR*. Interestingly, EU Commissioner Almunia revealed that Italy pays for public debt service more than Eu68 billion, about 5% of GDP. This is twice the amount allocated yearly for public investments. Also, at present, investment expenses are counted as "current" expenses by member nations of the Eurozone, instead of being part of a capital budget, thus making it impossible to plan development without EU watchdogs swooping down to intervene.

### **U.K. Press Echoes *Post* 'Angler' Series on Cheney**

July 2 (EIRNS)—Echoes of the four-part *Washington Post* "Angler" series on Vice President Dick Cheney have been appearing throughout the U.S. press, while from London, yesterday's *Sunday Telegraph* summarized that series as well. In it, columnist David Broder confessed, "Where I thought, mistakenly, that it would be a great advantage to Bush to have a White House partner without political succession in mind, it has turned out to be altogether too liberating an environment for a political entrepreneur of surpassing skill operating under an exceptional cloak of secrecy."

### **Italian Test Debunks JFK 'Lone Assassin' Theory**

July 2 (EIRNS)—An experiment conducted under the supervision of the Italian military has proven that U.S. President John F. Kennedy could not have been killed by the gun fired by Lee Harvey Oswald alone—thus further discrediting both the "lone assassin" and the "magic bullet" theories.

According to the report published by the Italian news agency ANSA today, the gun allegedly used by Oswald a Carcano model 91/38, was produced in 1940 in Terni, Italy. A test conducted at Terni by Kennedy assassination researcher Claudio Accogli, of the Italian news agency ANSA, under the supervision of officers from the Logistics Command of the Italian Army, has now proven that the 91/38 weapon has a maximum firing speed of five seconds per shot. The test shooter took 19 seconds to fire three shots, as compared to the seven seconds that Oswald allegedly needed for three shots, according to the Warren Commission.

The Terni experiment also demonstrated that the "magic bullet" theory is a fraud: a bullet fired by a Carcano 91/38 through two slabs of meat was so deformed by the impact, as to exclude the possibility that the bullet cited could have hit two persons and remained intact. The test is documented in a video posted on [www.ansa.it](http://www.ansa.it).

The significance of the release of these findings, must be seen in the context of Lyndon LaRouche's June 21 webcast, and earlier locations, in which LaRouche has identified the profound changes that have occurred since the assassination of JFK in 1963—with the launching of the Indochina War, the demoralization of the American population, the emergence of the anti-science, existentialist '68er generation, and the breakup of the U.S. Democratic Party—resulting in the world now entering a period of generalized warfare. Kennedy was not killed by a "lone assassin," said LaRouche. "He was killed to get him out of the way."

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

### **Putin Hints at Broader Security Relationship with USA**

July 4 (EIRNS)—In the joint press conference with President Bush, closing the Kennebunkport summit July 1-2, Russian President Vladimir Putin indicated that his proposal for joint work on missile defense, if implemented, might lead to a broader security relationship with the United States. Putin added to his original proposal on the use of the Gabala, Azerbaijan radar: the creation of an information exchange center in Moscow and Brussels, modernization of Gabala, and the use of an additional anti-missile radar facility, under construction in southern Russia.

Putin reiterated that such a proposal would render unnecessary the planned radar in the Czech Republic and the stationing of the interceptors in Poland. "As for the future, as I already mentioned, we are now discussing a possibility of raising our relations to an entirely new level that would involve a very private and very, shall we say, sensitive dialogue on all issues related to the international security, including, of course, the missile defense issue," Putin said. "If this is to happen, I would like to draw your attention to this. The relations between our two countries would be raised to an entirely new level. Gradually, our relations would become those of a strategic partnership nature. It would mean raising the level, and improving the level of our interaction in the area of international security, thus leading to improved political interaction and cooperation with a final effect being, of course, evident in our economic relations and situation. Well, basically, we may state that the deck has been dealt, and we are here to play. And I would very much hope that we are playing one and the same game."

### **Ivanov: Putin Proposals Change International Relations**

July 5 (EIRNS)—Speaking yesterday in Tashkent, Uzbekistan, Russian First Deputy Prime Minister Sergei Ivanov strongly asserted the far-reaching nature of the strategic shift that will occur, if the USA responds positively to President Vladimir Putin's latest, expanded offer of cooperation on anti-missile defenses.

"Our proposals may be considered an innovation," said Ivanov. "That is why they change the configuration of international relations. We'll be able to create a pool of states that will jointly fight the missile proliferation threat." The Russian

proposals, he added, could mean an end to all talk about a Cold War. "This will qualitatively change relations between Russia and the United States, a new space for trust will emerge, and we shall move to the level of strategic partnership."

These statements by Ivanov are resonant with comments made by Lyndon LaRouche on the July 1-2 meeting between the U.S. and Russian leaders. At talks with President George Bush in Kennebunkport, Maine, Putin expanded his previous offer for the USA and Russia to jointly use a radar in Gabala, Azerbaijan; Putin added a new anti-missile detection facility in southern Russia to the package, and proposed to bring the entire matter under the NATO-Russia Council. Commenting on July 3, LaRouche welcomed President Bush's willingness to listen to Putin's proposals on missile defense as "an unexpected positive outcome." If the proposal is accepted, it will result in future collaboration into the next decade, LaRouche commented.

In the same press briefing, Ivanov warned of the alternative: "If our proposals are not accepted, we shall take adequate measures. An asymmetric, effective response will be found. We know what we are doing, and that means a 100% guarantee of our security under any circumstances that may emerge."

The former defense minister continued, "If our proposals are accepted, Russia will no longer need to place new weapons, including missiles, in the European part of the country, including Kaliningrad, to counter the threats that may appear, and will appear, if ABM systems are placed in the Czech Republic or Poland." This was widely reported in the Russian media, including on national television, as a new, more intense warning, concerning the emplacement of Russian missiles in the country's westernmost district, Kaliningrad Region, between Lithuania and Poland.

## **USA, Russia Progress on Nuclear Power Agreement**

July 3 (EIRNS)—In a briefing to reporters today, Robert Joseph, the U.S. Special Envoy for Nuclear Nonproliferation, and Russian Deputy Foreign Minister Sergei Kislyak talked about the ongoing discussions being held to weave together the different proposals for establishing a central or several central international centers for the production and the reprocessing of nuclear fuel, in an attempt to satisfy the growing demand from developing countries for nuclear energy, as well as the demands of the those who wish to limit the spread of nuclear enrichment and reprocessing capabilities. Both representatives indicated that they were attempting to pull together the various proliferation-proof nuclear energy proposals into a general package. While the emphasis is on cheap, safe nuclear energy, the proposal, when completed, could meet with heavy resistance, as it presupposes that participating countries will forgo their right, under the Nuclear Non-Proliferation Treaty, to have nuclear fuel capabilities. The two Presidents issued a statement on this cooperation, following their meeting in Kennebunkport.

## **Putin's Talks with Ex-U.S. Presidents Led To Kennebunkport**

July 5 (EIRNS)—The invitation to Russian President Vladimir Putin to meet with U.S. President George W. Bush at the Bush family home in Kennebunkport, Maine, came from ex-President George H. W. Bush, during his talks with Putin in Moscow at the end of April, according to Russian reports. Former Presidents Bush and Bill Clinton represented the United States at the funeral of former Russian President Boris Yeltsin. Both had the opportunity to talk with Putin.

Several days later, on April 27, Putin received former U.S. Secretary of State Henry Kissinger in the Kremlin, for their seventh tête-à-tête during the past six years. Putin then announced his "pleasure" in supporting the formation of a new strategic working group, called "Russia-USA: A Look Into the Future." It is to be headed by Kissinger and former Russian Prime Minister Yevgeni Primakov, a regular adviser to Putin. The White House also issued a statement, welcoming the formation of the new group, on April 27.

According to Itar-Tass, the possible members of the group are quite a mix, including George Shultz, former Russian Foreign Minister Alexander Bessmertnykh, former Sen. Sam Nunn (D-Ga.), and former Soviet Ambassador to the USA Yuli Vorontsov. Primakov said that its first meeting would take place in Moscow in July.

The role being played by the senior Bush was highlighted in a July 4 commentary by Shamsudin Mamayev of Eurasiahome.org, titled "Kennebunkport: Solitaire, or Poker?" Asking why President Bush publicly reacted to Putin's concept of a European-wide anti-missile defense system, Mamayev wrote, "Evidently his father, ex-President George Bush, Sr. ... has a sobering influence on him. He is the political antipode to his own son, having in his day categorically refused to storm Baghdad, and having traveled to Kiev to plead personally for Ukraine not to leave the USSR."

Remarking that it was Bush, Sr. who personally invited Putin to Kennebunkport, Mamayev, in an additional comment not confirmed elsewhere, reported that the day after his meeting with Kissinger, Putin phoned President Bush to put forward, informally and for the first time, the proposal to use Azerbaijan's Gabala radar facility for joint anti-missile operations, instead of the installments in Poland and the Czech Republic that Russia opposes. Five weeks later, at the Heiligendamm G-8 summit, Putin made the proposal official.

### **Brits Attempt To Recruit Russian in Litvinenko Affair**

June 30 (EIRNS)—According to Itar-Tass of June 29, the Federal Security Service (FSB) of Russia has disclosed the name of a Russian citizen, who contacted the FSB earlier this month, saying that British secret services tried to recruit him. "The Britons were trying to recruit former security service officer Vyacheslav Zharko," a source at the FSB public relations center told Itar-Tass on June 29. Zharko said that oligarch Boris Berezovsky knows him under a different name. They met in the 1990s, and Zharko was running Berezovsky's errands. According to the account, Berezovsky invited Zharko to London in Summer 2002 and introduced him to Alexander Litvinenko, who, in turn, introduced him to representatives of a consulting company, who appeared to be agents of British secret services, the source said.

### **Russian Railways Chief in New Electric Power Agreement**

July 5 (EIRNS)—Vladimir Yakunin, head of the state-owned company Russian Railways, met yesterday in the Ural city of Chelyabinsk with Unified Energy Systems CEO Anatoli Chubais, to coordinate Russia's national rail expansion programs with those of the national electric power company. Their cooperation will be tied in to the already-adopted Russian Railways phased plan for rail development up to 2030. The rail plan focusses on upgrading existing rail routes in the 2008-15 period, and then, in 2016-30, moving on to strategically significant projects, including the line to the Bering Strait. The news agency Dp.ru highlighted the Yakutsk-Uelen line, which will end at the Bering Strait, in its report on the Yakunin-Chubais meeting.

Yakunin is currently touring the Ural and Volga regions. On July 3 in Nizhny Novgorod, he announced that Russia's first high-speed railroad will appear in 2012-14, on the St. Petersburg-Moscow route. Nizhny, Russia's third biggest city, would be the next candidate destination for its extension, and then the Urals. July 11 is the date of a Russian-Japanese conference in Nizhny, on high-speed-rail technologies.

## **Southwest Asia News Digest**

### **Is Prince Bandar Plotting a Coup in Saudi Arabia?**

July 5 (EIRNS)—The head of the Center for Research and Media in the Middle East, Nassir Kandil, said in an interview to al-Jazeera on July 3, that Saudi Prince Bandar bin Sultan was planning a coup against King Abdallah, as part of a U.S. plan

to enhance Israel's role in the region. Bandar involved in the BAE scandal and in Dick Cheney's regional war policies.

Kandil, said to be a well-known Lebanese expert, was quoted by the Iranian news agency IRIB's German-language edition as having told al-Jazeera that, "The U.S. plans to establish an even more secure network for Israel in the region, before they withdraw from Iraq. Therefore, Bandar bin Sultan should take power in Saudi Arabia." Kandil also said that Bandar had a role in the creation of Fatah al-Islami in northern Lebanon, as well as the coup attempt against Palestinian Hamas. He stated: "Bandar bin Sultan told the Americans, that he could at the present time create a new al-Qaeda, just as he had done in 1980, when he built al-Qaeda against the Soviet Union."

Kandil also spoke about the role of Fatah operative Mohammad Dahlan, in cooperation with U.S. Gen. Keith Dayton, in organizing a coup against Hamas. The report on German-language IRIB appeared together with an interview about the BAE scandal, with Michael Weissbach of the BüSo (Civil Rights Solidarity Movement), led by Helga Zepp-LaRouche.

### **Warning: Cheney Pushing New Lebanon War This Summer**

July 7 (EIRNS)—Israeli and Arab sources are telling *EIR* that there is a very strong likelihood that Israel will launch new military operations into southern Lebanon before the end of the Summer, and that pressure for such attacks is coming from the circles of Vice President Dick Cheney. According to one source, a new Israeli assault against Hezbollah positions in southern Lebanon would be based on the 1982 Israeli invasion plan of then-Defense Minister Ariel Sharon, and that the attack could include operations launched from the Golan Heights, in an effort to draw Syria into the conflict.

An Israeli source acknowledged that there is strong opposition in some Israeli political circles to such a preemptive attack, and that Syria has been warned that part of the scheme involves the effort to draw Syria into the war. One U.S. intelligence specialist acknowledged the war danger, but cautioned that Hezbollah has also revised its military plans, in anticipation of such an Israeli action, and that it is prepared to carry out much more damaging asymmetric retaliatory attacks on Israel. In short, any move by the Israeli Defense Forces would generate a larger regional conflict with the potential to spread beyond Israel and Lebanon.

All of the sources who spoke to *EIR* acknowledged that the biggest driver for the Israeli action is the Cheney cabal in the Bush Administration, and the neo-con camp in Washington. Such an Israeli hit on Hezbollah is seen by Cheney and company as a vital part of their war plans against Iran, which call for a "carpet bombing" campaign against an estimated 20 military and infrastructure targets inside Iran, before the end of this year, several sources asserted. The only certain way to stop these planned military actions is for Cheney to be forced out of office in the immediate weeks ahead. That, several sources said, would tilt the political balance inside Israel, allowing the anti-war forces to prevail, and greatly weakening Cheney's key ally, former Prime Minister Benjamin Netanyahu.

### **French Envoy Invites Lebanese Factions to Paris**

July 4 (EIRNS)—French envoy Jean-Claude Cousseran is in Beirut, to organize a meeting in Paris of all 14 Lebanese political groups on July 14-16. Cousseran met for an hour and a half today with Prime Minister Fouad Siniora, and stressed the French government's hopes to "restart dialogue and rebuild trust" among the rival Lebanese political factions.

"The meeting will include the representatives of 14 factions who have taken part in the national dialogue. Each group can send two delegates," Cousseran said. Although it is planned for French Foreign Minister Bernard Kouchner to attend, he added, France will not impose the agenda. "France aims through this dialogue to organize and participate in a dialogue between the various Lebanese factions," Cousseran said. He said Kouchner would try to function as moderator and facilitator.

None of the delegates' names have been released, but Arab League secretary general Amr Moussa will attend the meeting. Cousseran said his discussion with Siniora was "very useful and important." He then met with Speaker Nabih Berri, the *Daily Star* reported.

The French initiative, according to Washington sources, reflects a significant potential shift in French policy from that of previous President Jacques Chirac. Chirac had been extremely close to Rafik Hariri, the slain Lebanese Prime Minister, who had bankrolled much of Chirac's political career, from the time that Chirac was mayor of Paris, and this relationship had colored French policy towards Lebanon.

## **Hamas Secures Release of BBC Reporter**

July 4 (EIRNS)— Hamas leader Ismail Haniyeh announced the release today of BBC journalist Alan Johnston, who had been kidnapped by Palestinian militants in the Gaza Strip on March 12. In announcing the release of Johnston, Haniyeh also issued an appeal to Israel for a prisoner exchange that would include the release of Israeli soldier Gilad Shalit, who has been held by Hamas. Haniyeh said, "As the case of Alan Johnston has ended, we hope that the case of the Israeli soldier Gilad Shalit may end, too, in an honorable deal that would secure the release of our hero prisoners from Israeli jails."

Speaking from Damascus, Hamas leader Khaled Meshal declared, "We have been able to close this chapter which has harmed the image of our people greatly. The efforts by Hamas have produced the freedom of Alan Johnston. It showed the difference between the era in which groups used to encourage and commit security anarchy and chaos, and the current situation in which Hamas is seeking to stabilize security."

Although the media have tried to claim that Johnston was held by an al-Qaeda-linked group, he was in fact being held by the militia of one of the major clans that dominate Gaza, the Doghmush clan. Not only is there no evidence the clan is tied to Hamas, but well-placed U.S. intelligence sources report that the Doghmush clan was being backed by Mohammed Dahlan, the Fatah security boss in Gaza, who has widely been seen as a provocateur of the Hamas-Fatah confrontations.

Egyptian and Palestinian sources told EIRNS this week that there is a good chance that Fatah and Hamas could resolve the crisis between the two factions with talks, but the United States is dead-set against such negotiations, and is putting enormous pressure on President Abu Mazen (Mahmoud Abbas) to prevent him from reopening negotiations.

However, inside Israel, a significant faction of military intelligence officials are pushing for a settlement of the intra-Palestinian conflict, through dialogue. Briefing the Knesset, the Chief of Staff of the Israeli Defense Forces, Gen. Gabi Ashkenazi, said that President Abbas and Hamas political chief Khaled Mehsal will eventually resume their dialogue, and that the separation between Gaza and the West Bank would eventually end.

## **Arab Parliament, Egypt Urge Fatah-Hamas Reconciliation**

July 7 (EIRNS)— The Arab Parliament, a 44-member institution created by the Arab League in 2001, held a series of meetings in Damascus, Syria and Amman, Jordan to begin a process to reconcile the two principal Palestinian factions, Hamas, which won the majority in the Palestinian national assembly, and Fatah, led by Palestinian Authority President Mahmoud Abbas (Abu Mazen).

The plan to discuss the mediation effort was announced by Speaker of the Arab Parliament Muhammed Jasim al-Saqr of Kuwait, reported *Deutsche Presse Agentur* today. Al-Saqr spoke to reporters on July 6— ahead of a meeting with Abbas and other Palestinian leaders— saying, "In my capacity as Speaker of the Arab Parliament, I feel it is our duty to stage an

initiative" to bring about a reconciliation. He told the press that he had already had a meeting with Meshal, "who expressed desire for a reconciliation" with Fatah.

After the meeting with Abbas, al-Saqr said, "The meeting decided to set up a committee and assigned it the duty of looking into means for reaching a solution to the Palestinian impasse." *DPA* reports that the committee includes two members of the Arab Parliament and Azzam al-Ahmad, a leading member of Fatah, and it was to meet later on July 7.

The Arab Parliament initiative is part of a call for reconciliation made last week by Egyptian President Hosni Mubarak. King Abdullah of Saudi Arabia is also pushing for reconciliation, and will take up the question with Abbas, when the two meet in Riyadh in mid-July.

According to well-informed Egyptian sources, Abbas is being warned by Dick Cheney, and his operative within the National Security Council, Elliott Abrams, against a reconciliation with Hamas. But Arab leaders are bucking the Cheney pressure, because the Palestinian factional war is destabilizing the entire region.

## **Asia News Digest**

### **A Race Riot Is Planned in Britain**

July 3 (EIRNS)—Following the crashing of two cars at the Glasgow airport, slogans have appeared on the walls urging British whites to "Kill All the Pakis" (a derogatory term used by British to identify Indians, Pakistanis, and other "Asian-looking" people). Although the attackers have been identified so far as two Asians, the ground is being prepared for unleashing a race riot, which has the potential to spread throughout Britain.

Glasgow is the home of some 50,000 Muslims, of whom almost 35,000 are of Pakistani origin. The Pakistanis are feeling under siege after this incident, the *Daily Times* of Lahore said. Mohammad Sarwar, a member of the House of Commons from Glasgow, confirmed to *The News* that slogans like "Kill All the Pakis" had started appearing on the walls and roads of the city after this terrorist activity. Sarwar, who is concerned about the possibility of racial attacks, said, "Pakistanis were scared, since it was announced that the attackers were Asian-looking men."

Meanwhile, British authorities are assiduously keeping alive the fear among the population, a necessary ingredient to start a race riot. Airline passengers said on July 3 that Terminal 4 at London's Heathrow airport was being evacuated after a suspicious package was found. Officials at the airport could not confirm that the terminal was being evacuated, but said that a suspicious bag had been found, Reuters news agency reported. Flights departing from Terminal 4 are mainly operated by British Airways and by Dutch KLM, to European and long-haul destinations. Britain is on "critical" security alert following last week's failed bombings at Glasgow airport and in central London, believed to be an al-Qaeda plot. Security services fear a terror attack could be imminent.

### **U.S. and NATO Aid 'Talibanization' of Pakistan**

July 3 (EIRNS)—Pakistan's Interior Ministry has prepared a report which has warned President Gen. Pervez Musharraf that Islamic militants and Taliban fighters are rapidly spreading beyond the tribal areas of Pakistan, and that without a "swift and decisive action," the militancy could engulf the rest of the country. It also says security forces in the NWFP (North West Frontier Province) were outgunned and outnumbered and had forfeited authority to the Taliban.

Interior Secretary Kamal Shah said on June 28 that in the aftermath of the ministry's analysis, the government has put 31

platoons of the Frontier Constabulary into the area where the tribal lands and NWFP meet. The Frontier Corps, which patrols the border with Afghanistan, is being strengthened, as are the police. "We are getting more mobility, more equipment, and more transport," he added.

However, one of the principal reasons behind the upsurge of the Taliban-type forces in the NWFP, is the increasing discontent among the local population against Islamabad's U.S.-dictated policy of allowing foreign troops to kill Pakistanis under the pretext of carrying out the "war on terror."

According to Syed Saleem Shahzad, the on-the-ground correspondent for the *Asia Times*, Musharraf and U.S. and NATO commanders reached an agreement recently, giving occupying forces in Afghanistan the green light to hunt operatives and camps of the Taliban and al-Qaeda inside Pakistan's borders. He adds that coalition forces will start hitting targets wherever they might be. Officially, both NATO and Pakistan deny any agreement on hot-pursuit activities. But the realities on the ground are different, *Asia Times* insists.

### **Japan's Cooperation in Developing India's Infrastructure**

July 6 (EIRNS)—Signing a Memorandum of Understanding (MoU), India and Japan have agreed to step up negotiations on an economic pact and the \$90 billion Delhi-Mumbai Industrial Corridor (DMIC). The MoU was signed by the Indian Minister of Commerce & Industry, Kamal Nath, and Minister of Economy, Trade and Industry of Japan, Akira Amari. Amari told reporters: "What we are trying to do, is to cooperate with India to recreate in India, what we did in Japan to make it develop into the second-largest economy in the world through infrastructure development."

"India is to become a platform for production and development, and a gateway for trade with Europe, West Asia, and Africa," said Amari. For industry, time means cost, he said, stressing the need for nations to cooperate to improve infrastructure and make India a one-stop shop for licensing and other services.

The DMIC project will include a high-speed-rail freight corridor, new power capacity of 4,000 megawatts, three new seaports, and six airports. India also plans to upgrade existing industrial units, build 12 new industrial clusters, 10 logistics parks, and agricultural hubs alongside the industrial corridor. The project will commence after final approval from both governments during Prime Minister Abe's visit to New Delhi in August.

The project is being planned along the Tokyo-Osaka industrial corridor, and officials have identified five investment regions and five industrial areas in the first phase of the project. Japan is keen to start work on the project by 2008, and Amari said he hoped the concept paper would be ready before Abe visits New Delhi. A two-phase concept, the first phase of the DMIC, is expected to be completed by 2012, and the second phase in 2016.

### **Japan Plans a Missile Shield**

July 6 (EIRNS)—Japan, a non-nuclear-weapons nation, desires to build its own missile shield in cooperation with the United States, amid fears of a potential missile threat from North Korea, and China's drive to boost its military power, according to a White Paper published by Japan's Defense Ministry on July 6. At \$39 billion, Japan's defense budget is little changed from last year and remains at just under 1% of the country's gross domestic product. Tokyo's spending on missile defense increased to \$1.3 billion this year.

"Globalization has stripped traditional meaning from national borders, and Japan's responsibilities today include utilizing its defense capabilities ... for international peace cooperation activities," the White Paper 2007 said. Japan's determination to boost its missile defenses was strengthened after Pyongyang conducted a series of ballistic missile tests in July 2006,

and an underground nuclear test explosion three months later. The document also criticized China for not being transparent in terms of its military power, and said Beijing had never given a satisfactory explanation for its anti-satellite weapons test this year, RIA Novosti reported.

"The series of actions taken by North Korea poses a serious threat to the peace and stability of the international community, in particular to East Asia," the White Paper said. The report reaffirmed Tokyo's plans to deploy a two-tier missile shield combining sea- and land-based systems. The U.S. SM-3 interceptor missiles, to be deployed on five Aegis-class destroyers in the Japanese Navy, are designed to intercept incoming missiles in mid-trajectory, while the U.S. Patriot PAC-3 systems, deployed at four ground-to-air missile units, are set to shoot down missiles before they hit the ground.

## **Chinese Reject Carlyle Group Bid for Regional Bank**

July 4 (EIRNS)—The Chinese Securities Regulatory Commission (CSRC) has rejected an attempt by the vulture fund, the Carlyle Group, to buy an 8% share of the Chongqing Commercial Bank, based in western China. The China Knowledge website reports that the CSRC could have been concerned about Carlyle's lack of banking experience. The bank reported that the bid was rejected because it "does not meet current relevant rules and regulations."

In 2005, Carlyle had tried to buy an 85% controlling stake in Xugong Group, China's biggest construction-machinery manufacturer. This was rejected by the Ministry of Commerce in March 2006, because of concern about Chinese national economic security. The Carlyle bid became a national issue, and opponents launched an Internet blog against the takeover. Eventually Carlyle was only able to acquire 45% of the firm.

China's National People's Congress is now considering an anti-monopoly law, which would require a national security review before foreign companies could take over Chinese enterprises.

## **Hot Money Again Flooding Asia**

July 5 (EIRNS)—Capital-flows into Asia from private equity funds and hedge funds have increased dramatically, driving up stock and property values in a new Asian bubble, according to Nomura strategist Sean Darby at the fourth annual Nomura Asia Equity Forum held in Singapore July 4, reports the *Straits Times*. "There are already certain characteristics of a bubble forming in Asia, particularly in China's equity market," Darby said.

The figures are eye-popping: The Shanghai and Shenzhen stock markets have risen by 42.6% and 96%, respectively, so far this year, while housing prices in the country's 70 largest cities are growing at 6.4%. The more established exchange in the British banking outpost of Singapore has surged 19.1% so far this year, while the Kuala Lumpur share market has jumped 25.6%.

Senior economist Takuma Ikeda at Nomura Research Institute warned that the current defaults in the subprime mortgages sector of the U.S. economy could "wreak financial havoc" in the region.

## **Africa News Digest**

### **Sudan's President Tackles Darfur Crisis with Development**

July 2 (EIRNS)—Sudanese President Omar al-Bashir announced, in an international video press conference from Khartoum on June 30, that his government has earmarked \$800 million for Darfur reconstruction, a direct challenge to the

interests inside Sudan and from the West who thought they could continue using the political crisis in Darfur, which has been deepened by the pre-existing lack of water now magnified by drought, as their pretext to destroy the Sudanese nation-state. He also warned against the "Iraqization" of Darfur, which would be done by using the conflict caused by the rebellion as a pretext for foreign military intervention into the region.

He asserted, however, that the Darfur crisis has been exacerbated by other types of foreign interventions, and as an example gave a good slap to the U.S. State Department and USAID, saying that if it were not for external interference, championed by a certain Roger Winter (a long-time U.S.-based anti-Sudan-government activist), Darfur would have, in the last years, registered a fundamental transformation in terms of development. Winter has been involved in various interventions in Sudan, on behalf of U.S. agencies, for the last 25 years, and in 2005, was named Special Representative for Sudan to advise U.S. Secretary of State Condoleezza Rice on policy related to Darfur and to Sudan. He was formerly the mentor of Assistant Secretary of State for African Affairs Susan Rice, and in 1998, *EIR* exposed Iran-Contra style capers in Africa by the duo.

Al-Bashir stated that Sudan was also investigating organizations and persons who have raised funds under the guise of helping the people of Darfur. The objective, he said, is to learn what has been done with the enormous amount of cash generated, and also to stop the abuse of the good will of donors.

As for the French initiative to threaten Sudan with a military intervention in the guise of a UN intervention, Bashir said he saw nothing new from the French conference on Darfur, in Paris. He said that President Nicolas Sarkozy was the new poodle of George Bush, hence, they (the Americans) have decided to outsource Darfur's case to the French. He said Sudan was sticking with the hybrid force with UN support, that the troops would be African, and that participants from elsewhere would participate, fulfilling functions such as providing engineers, whose expertise will map out and fine tune his country's development plans for Darfur.

On the terrorism issue, Bashir said that Sudan had provided the United States with intelligence, before the American embassies were attacked in Kenya and Tanzania, and before 9/11, that could have prevented both incidents. He said he wondered what the Americans did with that intelligence.

## **Sudan To Launch '1,000 Wells for Darfur' Project**

July 6 (EIRNS)—Sudanese President Omar al-Bashir has agreed to an initiative to tackle the problem of water shortage in northwestern Sudan, which includes most of the Darfur region. The government is now moving to turn the tables on the rebels operating in Darfur by rebuilding infrastructure that the rebels have been destroying. The government's focus will initially be on water.

Al-Bashir and Egyptian scientist Farouk El-Baz, director of the Center for Remote Sensing at Boston University, agreed during a June 20 meeting in Khartoum, on the "1,000 Wells for Darfur" initiative, according to SciDev.Net, on June 25. The proposal is based on the discovery by the Boston University team, of a huge, ancient, underground lake in northern Darfur.

The initiative will be presented to the Sudan Government Council of Ministers in its upcoming meeting, to work out the details, reported SciDev.Net. According to Al-Bashir, the shortage of water resources was the "core" of the problem in Darfur. "This is a humanitarian effort in the first place, and we invite everyone to help us achieve the objective of providing water to the people that need it most. Stabilizing this important region of our country is a noble cause, which we fully stand behind," al-Bashir said.

According to SciDev.Net, individuals, nongovernmental organizations, countries, and international organizations will be invited to participate in the 1,000 Wells initiative. This will put the gang of organizations in the Western world, especially in the United States, which have been supporting the rebels and attacking the government, on the spot: Do they want to solve the problem, or are they only interested in attacking the Sudan government?

El-Baz explicitly stated the purpose of the project: "The Darfur initiative will bring hope to the people of northwestern Sudan; it will allow the migration of the labor force to locations where economic development is suitable and environmentally sustainable." He added, "This initiative can be a starting point for ameliorating the human suffering in the region and raising the quality of life and capacity of its people."

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