

[return to home page](#)

**The State of our Union**  
**The End of Our Delusion!**  
**by Lyndon H. LaRouche, Jr.**

*The following document is presented as an urgently needed draft of what must be crafted to serve as the Platform for the coming U.S. General Election. It has been prompted by the fact that none among the putative leading pre-Presidential candidates has shown, so far, any recognition of the kind of reality which will face the voters in the coming November 2008 general election, and no sense of the issues which will have become decisive at the point of the January 2009 inauguration. It were said fairly, that all of the putative candidates, thus far, are treating the future as a continuation of assumed conditions which have ceased to exist, therefore showing little sense of what must be faced, or of what must be done, if our republic is to have a future during even the relatively few years immediately ahead...*

**Note: *EIR* is not publishing this week.**  
**Volume 34, No. 33-34 was a double issue, issued on August 24, 2007.**  
**However, the News Digests are updated.**

**In-Depth articles from Vol. 34, No. 33-34**  
**...Requires Adobe Reader®.**

## Feature

**The State of Our Union: The End of Our Delusion!**

**Lyndon H. LaRouche, Jr.** presents 'an urgently needed draft of what must be crafted to serve as the Platform for the coming U.S. General Election. It has been prompted by the fact that none among the putative leading prePresidential candidates has shown, so far, any recognition of the kind of reality which will face the voters in the coming November 2008 general election, and no sense of the issues which will have become decisive at the point of the January 2009 inauguration.'

**Draft Platform for 2008**

## Economics

**Banking Crisis: Recovery Is Possible Only if Central Bank Bailouts Stop**

The failures of major hedge funds and banks is now a matter of time. By early Fall, in the judgment of Lyndon LaRouche, the financial system will be unable to continue functioning, without bankruptcy reorganization carried out by governments to save their people's jobs, homes, and savings, and to invest in restoring their productivity.

**'I Envision Construction of a Railroad Around the World'**

An interview with Walter J. Hickel.

## **Indira Gandhi's Legacy at Risk in Indian Farm Crisis**

Mrs. Gandhi will always be remembered for her contribution to India of the Green Revolution. The success of that program prevented large-scale hunger within India, and enabled the world to see that such a seemingly impossible objective can be reached within a few years. The current leadership of the country is undermining that magnificent achievement.

## **Phoenix Lander Will Dig for Ice at North Polar Region of Mars**

# **World News**

## **Is It Just Drumbeats We Hear, or Is It Actual War?**

News reports, corroborated by well-informed Washington sources, indicate that Vice President Dick Cheney has been pressing the President to authorize strikes against Iran. While there is no proof that such a decision has been made, the danger of military action, even within a matter of days, is very real.

## **Call by the Ad Hoc Committee for a New Bretton Woods**

**Helga Zepp-LaRouche** has renewed her call for 'an international conference at the level of Heads of State and Government, to globally define a new and more just monetary and financial system.' The new resolution is circulating for signatures by leading figures of all countries, and will be presented to the U.S. Congress and the parliaments of the world.

## **Eurasia's SCO Takes Action for Stability**

The six nations of the Shanghai Cooperation Organization carried out their first-ever joint military maneuvers, involving troops from all member nations, in the southern Urals in Russia, and Urumqi, China.

## **Pakistan Needs a 'New Deal'**

The threat of the disintegration of Pakistan needs urgently to be addressed. We provide the beginnings of a positive approach, including some of the crucial economic parameters of a 'New Deal.'

## **Correa, Kirchner in Bankers' Crosshairs**

The Presidents of Ecuador and Argentina have enraged the financier oligarchy, to the point that the lives of both are in danger.

## **'New Politics' Brought to State Legislators**

When the National Conference of State Legislators (NCSL) met in Boston Aug. 5-9, the LaRouche Youth Movement met them, emphasizing the need for a national mobilization to create sweeping changes in the United States, beginning with the impeachment of the President of Vice, Dick Cheney.

# **Interviews**

## **Walter J. Hickel**

Walter Hickel was twice elected as Alaska's governor, serving in 1966-69 and 1990-94; he was President Richard Nixon's first Secretary of the Interior (1969-70). At age 88, is viewed in Alaska and abroad as one of America's senior statesmen, for his unceasing commitment to economically develop the world.

# **Departments**

# Editorial

## **Protect the People, and the Banks!**

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

#### **Federal Reserve Bends Rules to Save Citigroup and Bank of America**

Aug. 24 (EIRNS)—The Federal Reserve made another desperate lunge forward this week, sending letters to both Bank of America and Citigroup on Aug. 20 allowing them to "blow through" the legal limits on how much they are allowed to lend to their own brokerage firms, it was revealed today by *Fortune*. *Fortune* comments: "This unusual move by the Fed shows that the largest Wall Street firms are continuing to have problems funding operations during the current market difficulties, according to banking industry skeptics. The Fed's move appears to support the view that even the biggest brokerages have been caught off guard by the credit crunch and don't have financing to deal with the resulting dislocation in the markets."

*Fortune* also notes that the other big banks have probably received the same exemption, which allows each to lend \$25 billion to its brokerage (i.e., Citibank can lend \$25 billion to Citigroup Global Markets, its brokerage), which is about 30% of their capital, as opposed to limits of 10% under the regulations.

This move is linked to the Fed's reduction of rates on their discount window Aug. 17. "This is just a technicality to allow us to use our regular channels of business with funds from the Fed's discount window," said Bob Stickler, spokesperson for Bank of America, to *Fortune's* Peter Eaves.

The Fed even claimed to be acting in the "public interest," because it allows Citibank to get liquidity to the brokerage in "the most rapid and cost-effective manner possible," they told *Fortune*.

#### **Congress Struggles with an Avalanche of Foreclosures**

Aug. 23 (EIRNS)—Politicians are starting to panic over the anger that is boiling over in the population about current and coming home foreclosures.

In an Aug. 22 release, Sen. Charles E. Schumer (D-N.Y.), chairman of the Joint Economic Committee and the Senate Banking Subcommittee on Housing, in letters to Federal Reserve chairman Ben Bernanke, Treasury Secretary Henry Paulson, Administrator of National Banks John Dugan, and corporate leaders in the subprime mortgage industry, stressed that simply providing liquidity to the credit markets, as the Fed has been doing, does not address the fundamental problems of the mortgage markets. "It is essential that the Federal agencies overseeing the financial markets use their influence over the major market players to encourage them to engage in a major effort to modify or refinance the loans that have a high probability of defaulting, so that the upcoming wave of foreclosures ... can be abated."

The House Financial Services Committee chairman Barney Frank (D-Mass.) and Rep. Gary Miller (R-Calif.) on Aug. 17

urged the U.S. Senate to raise the conforming loan limit for Fannie Mae and Freddie Mac. "In the current housing crisis, it is clear that we must immediately provide additional mortgage liquidity in all areas of the country, including high-cost areas."

In May, the House passed HR 1427, the Federal Housing Finance Reform Act of 2007, by an overwhelming bipartisan vote. The bill will overhaul the regulatory oversight of the government sponsored enterprises (GSE) of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, and will create an independent regulator with broad powers analogous to current banking regulators. The bill creates an off-budget and non-taxpayer-financed affordable housing fund, dedicating hundreds of millions of dollars for the construction, maintenance, and preservation of affordable housing on the Gulf Coast, the first year, and billions of dollars over the next five years for affordable housing nationwide.

Sen. Hillary Clinton (D-N.Y.) has issued a plan that will be introduced when Congress returns in September, that intends to establish a \$1 billion fund to assist state programs that help at-risk borrowers avoid foreclosure. State programs could help make single mortgage payments, help renegotiate loan terms, or simply provide financial counseling. Her plan would also expand Fannie Mae's and Freddie Mac's goals, to aid larger numbers of at-risk homeowners, and help arrange payment forbearance and loan restructurings.

Meanwhile Democratic Presidential hopeful John Edwards is proposing another bank bailout, with a "large Home Rescue Fund," whereby a government agency will take over inflated mortgages from banks and mortgage lenders.

## **More Economic Insanity: Wild Speculation in Ag Commodities**

Aug. 24 (EIRNS)—It's not just the housing blowout: Speculation in agricultural commodities is now reaching record levels. Last May, Charlie Carey, chairman of the Chicago Board of Trade (CBOT), offered this understated description to the Illinois Farm Bureau's *Farm Week*: "We see growth in commodity products worldwide." In 2006, the CBOT set its fifth consecutive record year for transactions, and as of the Spring of 2007, the trading pace was already 17% above 2006's rate.

On Aug. 23, wheat prices jumped to record highs, with the price for December delivery reaching an all-time high of \$7.54 per bushel on the Chicago market. Over the past 12 months, wheat prices have risen by 110%, and threefold since 2000. Now, according to London's *Financial Times*, food industry executives are warning that meat, poultry, and dairy prices will climb in the short term, as farmers and processors pass on higher feed costs to consumers.

Since the CBOT introduced ethanol contracts in March of 2005, speculators have jumped into this area as well, taking advantage of the CBOT's introduction of electronic trading during daytime hours, which further expands opportunities for speculation.

## **'Cerberus Gone Wild' May Provoke National Auto Strike**

Aug. 24 (EIRNS)—The big Cerberus Capital Management hedge/private equity fund, suffering losses from its recent multiple buyouts in the U.S. auto sector, etc., is so desperate for huge cuts in labor costs at its captive Chrysler Corp., that it may end up provoking a national auto strike. Auto industry sources told *Bloomberg* that Cerberus is breaking the front of the "Big Three" with Ford and GM, in contract negotiations with the United Auto Workers, because even the \$2.5-3.0 billion annual cuts in health-care expenditures which Ford and GM are demanding from the UAW, are nowhere near enough, or short-term enough, for Cerberus-Chrysler.

Cerberus needs up-front cash; it has taken on steep losses in the mortgage market from its recent buyout of General Motors Acceptance Corp., the financial arm of GM; from the troubles of the Austrian BAWAG bank which it recently bought; and

from inability to sell the debt from its takeover of Chrysler itself.

Leaks from the automakers to the *Detroit News* Aug. 23, show that what Ford and GM are demanding in cuts is already draconian: Ford has told the UAW that it wants to cut hourly labor costs by 30% in the national negotiations—taking combined wages, benefits, pensions, and retiree health care down to a combined \$48-51/hour, from \$71/hour currently. The 30% lower labor costs are based on what Toyota et al. are supposedly paying in their non-union plants in the United States.

The bulk of the cuts, nearly \$3 billion a year, are to come by divesting the companies of their health-care plans, and dumping them on the UAW to manage, with an up-front, lump-sum payment from the companies. The automakers are threatening, otherwise, the wholesale move of assembly operations overseas. "If we're going to continue to do work in the North American market, we must have labor costs within the range of the [Japanese] transplants," the source says, according to Howe. "If we get within that range, there's no reason to leave North America for final assembly."

### **N.Y. Fed Admits Taking Garbage as Collateral**

Aug. 24 (EIRNS)—The Federal Reserve Bank of New York has officially "affirmed its policy to consider accepting as collateral investment quality asset-backed commercial paper" (ABCP) for its discount window, according to *Bloomberg* today. Decorating the garbage with the silver wrapping of "investment grade" fools no one, as it has been widely exposed that the rating agencies have applied A1 ratings to ABCP which is re-packaged BBB garbage from the subprime gutters.

This announcement confirms what Lyndon LaRouche said one week ago, when the Fed announced the lowering of the discount rate, which (according to the media) was purely symbolic, since it is hardly ever used. LaRouche said this was "BS," that powerful people were bankrupt and demanding this action. Sure enough, the holders of the billions (perhaps trillions) of ABC paper are now dumping it on the Fed, which apparently will eat anything.

### **Realtors' Surprise: The Banks Have No Money!**

Aug. 24 (EIRNS)—A two-hour discussion hosted by Louisiana LaRouche Democratic activist Fred Huenefeld, with a leading Federal official and more than 20 realtors in Monroe Aug. 23, revealed the shocking fact that real estate closings were being prevented because banks couldn't come up with the money to lend!

A realtor told the group, "I went to a closing a few days ago, and all of a sudden we were advised that the closing would not happen because the money would not be available from the lender! The buyer and the seller on the contract couldn't believe it." The Federal official, shaken by this report, said, "I am beginning to believe LaRouche and Huenefeld. What should we do?" Huenefeld presented the official with a copy of LaRouche's "Homeowner and Bank Protection Act of 2007."

## **World Economic News**

### **Credit Markets Are Okay ... Sort of**

Aug. 24 (EIRNS)—Adding to the bankers' "BS" Index, today came the news from London's *Guardian*: Apparently, there's no problem in the credit markets. After Rio Tinto raised \$40 billion to buy Canada's Alcan, Rio Tinto's Tom Albanese said, "What we're seeing on the credit market is an appropriate repricing of risk." As a consequence, he said, "there was a flight to quality among investors." The *Guardian* added, "But as market turmoil increased, concerns over the deal rose. Some

said that although the financing had already been underwritten, there was still a possibility that the banks would not be able to raise the money if market conditions worsened."

The Aug. 24 Swiss financial daily *Neue Zuercher Zeitung* had a reminder that since the beginning of September, globally, \$329 billion worth of private equity loans for planned takeovers are in question. Note that more than half of that sum concerns five big banks alone: JP Morgan, \$64.65 billion; Deutsche Bank, \$32.11 billion; Citigroup, \$25.44 billion; Bank of America, \$24.25 billion; and Goldman Sachs, \$19.57 billion. And, the following six banks are in the category of having \$11.5-18 billion potentially on the ropes: Lehman Brothers, Credit Suisse, Royal Bank of Scotland, Morgan Stanley, Merrill Lynch, Barclays Capital.

## **Epidemic of Foreclosures Reported in the U.K.**

Aug. 24 (EIRNS)—Writing from London, the *International Herald Tribune* reported today that, "As Americans tremble at fear of an epidemic of mortgage foreclosures, Britain is already living one. Foreclosures here are at an eight-year high. So far, lenders have repossessed a record of 14,000 properties this year, 30% more than a year earlier, according to the Council of Mortgage Lenders. And an additional 125,100 households are behind in their mortgage payments." Analysts say that, "Britain might face its own subprime mortgage crisis as consumers with tarnished with histories find that only subprime lenders are willing to work with them." To avoid being thrown out, people go for "sale and rent back." A private company buys the house for 75% of its value, with no guarantee that the former homeowner will be allowed to stay. With the money, the former homeowner pays both rent and mortgage. But only 5% of British homebuyers take out fixed-rate mortgages, and mortgage rates have skyrocketed as the BoE raised interest rates five times over the past 12 months.

The three largest mortgage lenders in Britain are HBOS, Abbey, and Nationwide.

## **Despite Governor's Call, Bank of Japan Nixes Interest Rate Hike**

Aug. 23 (EIRNS)—The Bank of Japan did not raise interest rates at its meeting on Aug. 23, despite the fact that BoJ governor Toshihiko Fukui said it should. Fukui said, "Distortions and misallocation of resources could occur if interest rates are kept at levels inconsistent with the economy." Fukui also warned that keeping interest rates too low may spur risky investment. Raising the rate from the current 0.5% would deal another blow to the already collapsing yen carry trade, which has been a major prop to the hyperinflationary policies internationally.

## **U.S. Hedge Fund Foiled in Takeover Attempt in Japan**

Aug. 24 (EIRNS)—Steel Partners, run by bottom-feeder Warren Lichtenstein, has admitted defeat in its takeover bid to capture Japan's Bull Dog Sauce. Steel Partners only owns 4.44% of the company, but was using typical hedge fund methods to attempt to take over the firm and loot it. The Bull Dog company is the first Japanese company to take measures to thwart a hostile takeover from a foreign investor, with implicit support of the courts and the government.

# **United States News Digest**

## **Warner to Bush: Begin Troop Withdrawals from Iraq**

Aug. 23 (EIRNS)—Sen. John Warner (R-Va.), ranking member of the Senate Armed Services Committee, gave a press conference today on the situation in Iraq, based on his recent visit there with committee chairman Carl Levin (D-Mich.). After endorsing and discussing the recent National Intelligence Estimate (NIE) on Iraq and the importance of Iraqi political

leaders forming a unity government before the Sept. 15 deadline for Gen. David Petraeus's report, Warner, a former Navy Secretary, offered a proposal to President Bush: On Sept. 15, the President, in consultation with his military commanders, should announce that he's decided to take the first step in a redeployment of U.S. forces. This would be a small group, Warner said, perhaps 5,000 of the 160,000 troops there, to be home by Christmas. The effects of this first redeployment should be evaluated and reported on, and if no problems result, the President could announce a second date for additional forces to leave.

Despite the mild nature of this rebuke to Bush's "stay the course" approach, Warner's statement is a significant blow to the White House's effort to herd Republican lawmakers into silence, until the issuance of the Sept. 15 Petraeus report.

## **Cheney Behind Administration Failure To Fight Terrorism**

Aug. 23 (EIRNS)—The release of a two-year-old CIA Inspector General's report from June 2005, commissioned by the Senate and House Intelligence Committees, and forced out into the open this week by Sen. Jay Rockefeller (D-W.V.), who chairs the Intelligence Committee, has raised a renewed furor over who was asleep at the switch prior to 9/11—the White House or the CIA.

The *New York Times* lead editorial, titled "The C.I.A. Report," calls the report "devastating—but not because it showed that America's spies missed the rise of al-Qaeda. George Tenet, then the director of central intelligence, rang the Qaeda alarm. He sent a memo to the entire intelligence community saying that he wanted no effort spared in the war with Osama bin Laden. He took on the president's closest advisers to agitate for a strike on a Qaeda base in Afghanistan." But, "this all happened under President Bill Clinton. When George W. Bush won the White House, Mr. Tenet seems to have shifted his priorities. The C.I.A. chief suddenly seemed consumed with hanging on to his job."

The full report has not been released—only an Executive Summary, which states definitively that Tenet was "ultimately responsible" for not devising a full strategic plan to eliminate al-Qaeda, and for not using all the possible resources of the intelligence community to accomplish this.

The report says that in 1998, under President Clinton, Tenet wrote a memo that declared, "We are at war," in the fight with Osama Bin Laden and Al Qaeda," but did not pursue this outlook under Bush.

In fact, as *EIR* has reported, it was Dick Cheney who suppressed the fight against terrorism; Cheney was party to a special relationship with Saudi Ambassador to the U.S., Prince Bandar bin-Sultan, whose payments to al-Qaeda-linked operatives were covered up in FBI and other investigations of 9/11. Cheney was put in charge—by President Bush—of counter-terrorism, but essentially closed down vital inter-agency coordination in the Spring of 2001.

## **Ritter: Dems Could Win by Taking on Cheney**

Aug. 22 (EIRNS)—"The Vice President is the single greatest threat to American and international security in the world today," writes former U.S. Marine and arms inspector Scott Ritter, in TruthDig.com. "Cheney's office has made its impact felt on the policies of the United States of America as had no Vice President's office before him. Granted unprecedented oversight over national security and foreign policy by executive order in early 2001, many months prior to the terror attacks of 9/11, Cheney has single-handedly steered America away from being a nation among nations (albeit superior), operating (roughly) in accordance with the rule of law, and toward its present manifestation as the new Rome, a decadent imperial power bent on global domination whatever the cost...."

Ritter says that "America today is very much engaged in a life-or-death struggle against the forces of evil," adding: "The

enemy resides not abroad, however, but at home, vested in the highest offices of the land. Neither Osama Bin Laden nor Saddam Hussein threatened the life blood of the United States—the Constitution—to the extent that Cheney has. Not Hitler, Stalin, Mao, or Ho Chi Minh. Not since the American Civil War has there been a constitutional crisis of the magnitude that exists today ... courtesy of Dick Cheney."

Ritter says that the silence of Congress in the face of this crisis "is one of the great mysteries of our time," adding that, "In many ways, the leading Democrats, both those running for office and those currently holding office, are a far greater insult to American values than the conservative standard-bearers for the policies of Cheney." This is because hardly anyone takes seriously the rantings of what he calls the Hannity/Limbaugh/Coulter triad, of right-wing talking heads. "These Democrats, on the other hand, have mastered the art of compromise to the point that they stand for nothing at all...."

"The Democrats need to stand for something," Ritter continues. "Cheney has provided the sort of political ammunition that would enable them to fight, and win, a constitutional battle over the heart of America, the kind of defining struggle which I believe the vast majority of Americans would rally around...."

"'Bush's Brain' [Rove] may be gone, but his 'Soul' [Cheney] lives on," Ritter concludes. "It is high time all of America put Dick Cheney fully in the spotlight of collective accountability, purging our nation of this scourge which has harmed us in so many ways. If there is any case for impeachment to be made against any member of the Bush administration today, it can be made against a Vice President who has shamed our nation, destroyed our moral standing, and broken our laws."

## **Incoming JCS Chief Given Access to Chinese Navy**

WASHINGTON, Aug. 12 (EIRNS)—Adm. Mike Mullen, in a press conference following a week-long visit to China, stated that he had been given "unprecedented access to the Chinese Navy." Mullen, the incoming chairman of the Joint Chiefs of Staff, also indicated that there were "several firsts" in his visit. "The relationship between the two [U.S. and Chinese] navies is most important," Mullen said, adding that he had had the opportunity of "spending quality time with the leadership of the Chinese Navy." In his press conference, Mullen also said that "the growth of Chinese military power" was "its own business." and that the U.S.A. would not support Taiwan's independence, reiterating consistent U.S. policy. Although he made the visit in his capacity as Chief of Naval Operations, the fact that he will be taking over the top military post soon, gives the visit added significance.

## **Leahy: Cheney Blocked FISA Bill Agreement**

Aug. 20 (EIRNS)—It was Dick Cheney who blocked an agreement between Senate Democrats and the intelligence community on a new wiretapping bill, and now Cheney is blocking compliance with a Senate subpoena, the chairman of the Senate Judiciary Committee charged today.

In a press conference, Sen. Patrick Leahy (D-Vt.) described the negotiations that took place before the August Congressional recess, in which Leahy, Jay Rockefeller (D-W.V.), and Carl Levin (D-Mich.), the chairmen of the Senate Judiciary, Intelligence, and Armed Services Committees respectively, had made a recommendation for a "fix" for the Foreign Intelligence Surveillance Act (FISA), that would be acceptable to the intelligence community.

Then, "there was somebody told from the Vice President's office, 'No, they don't want that,'" Leahy revealed, and Cheney got a bill which allowed Attorney General Alberto Gonzales to override the FISA court.

The occasion for Leahy's press conference was that, once again, the Administration has missed the deadline for compliance with subpoena from the Senate Judiciary Committee (which was approved on a bipartisan, 13-3 vote) for documents



concerning the legal basis for the warrantless wiretapping program.

The only response today, according to Leahy, came from Cheney's office, which identified certain Presidential and Justice Department documents which might be responsive to the subpoena, but which Cheney is withholding, claiming they would be covered by Executive privilege. There is no question that the White House and Cheney "are in contempt of the valid order of the Congress," Leahy charged.

And in that letter, Leahy pointed out, Cheney again claimed that his office is not part of the Executive Office of the President. "So it's some kind of fourth branch of government," Leahy remarked.

Leahy also pointed out that, when Sen. Arlen Specter (R-Pa.) was chairing the Judiciary Committee, and was seeking information on the wiretap program, Cheney had told GOP Senators that they couldn't issue subpoenas! "Not quite sure that's my understanding of the Separation of Powers," Leahy mused.

### **LaRouche: 'The Target Is the Internal Stability of China'**

Aug. 20 (EIRNS)—Responding to the recent anti-China legislation being pulled together by Democratic Senators Charles Schumer of New York and Max Baucus of Montana, aimed at forcing an up-valuation of the Chinese currency, Lyndon LaRouche recently pointed to the "made in London" character of the legislation.

"Chuck Schumer is not a bad guy," LaRouche said, "but the policy coming from London [which he is expressing] is to get China.... Schumer just doesn't understand economics," LaRouche added. "The real target is the internal stability of China. If you want to start something, set fire to the place. It's a provocation." This was also connected to the reactionary Ishiwara faction in Japan, he explained, those who still "can't get over what they didn't get" because of their defeat during World War II.

## **Ibero-American News Digest**

### **Brazilian President: Speculators Always Lose Eventually**

Aug. 24 (EIRNS)—The cause of the current financial crisis is that people were looking for "easy money," and placed their bets on subprime debt, so they could "play in the casino," Brazilian President Luiz Lula da Silva commented in an Aug. 21 speech, inaugurating a biofuel plant. He shed no tears for the speculators who are now losing huge sums. "It is not fair that the Brazilian people should pay for the irresponsibility of those who want to make money by gambling," he said. "Those who try to speculate lose their shirts, and those who think it's possible to make easy money, without working, are always going to lose their shirts."

The President and Cabinet are putting out the public line, however, that Brazil, with its \$160 billion in foreign exchange reserves and big domestic market, will be able to survive what they still call "turbulence" and "oscillations" in the international markets, refusing to face the urgency of replacing the international floating-exchange-rate system itself.

For all the government's studied calm, Lula recommended this week that an informal network of Ibero-American finance ministers be activated, to coordinate actions in the face of the global crisis.

### **Argentine Economist Calls for 'Genuine Financial Reform'**

Aug. 23 (EIRNS)—Unlike many other Ibero-American professionals analyzing the current global economic meltdown, Argentine economics professor Alejandro Vanoli warns that the situation "cries out for genuine global financial reform." It is "myopic," in his view, to continue "with the reductionism of individually analyzing" each episode of crisis, rather than addressing the "global phenomenon of uncontrolled finances."

In an article published Aug. 16 in the daily *Clarín*, Vanoli accurately identifies the decades of unbridled speculation and deregulation which have created a "global casino." But, he asks, "is there the will to take steps that attack the root of the problem?" Without mentioning former President Bill Clinton, or the LTCM crisis of 1998, he notes that, at that time, "there appeared to be progress toward a new global financial architecture," which waned "once the markets calmed down."

Argentina's economy is stronger today than it was when the free-marketeers reigned in the 1990s, Vanoli explains, but how can it protect itself from current financial upheaval? It must "resist the siren song of those who seek to dismantle capital controls," and focus on policies of growth and internal savings, while advancing toward greater regional integration that will include new credit mechanisms to finance development.

But, while this is the best way to "immunize ourselves," more is needed, he adds. Without providing details, he states that the current financial turbulence actually "cries out for genuine global financial reform, to manage and redirect the uncontrolled financial flows ... [placing them] at the service of growth, productive development and fair global [income] distribution."

Vanoli's remarks sharply contrast with those of left-wing economist Raul Zibechi, who, in an Aug. 18 article, also accurately described the creation of the casino economy, but then impotently urged Ibero-American nations to act quickly to "decouple themselves from the global financial casino," so as not to be dragged down by the "inevitable" collapse of the United States.

## **Bolivian Journalist Harassed After Airing LaRouche Rep**

LA PAZ, Aug. 23 (EIRNS)—Journalist Aníbal Aguilar, host of the weekly "Bolivia Is Viable" program on TV 13 Universitaria in La Paz and Radio Cruz de Sur, reports that he has become the object of a nasty and intensifying campaign of slander and threats, which seek to silence him. That campaign escalated since he aired a one-hour interview with *EIR* intelligence director Dennis Small on Aug. 8 on the international financial crisis, and Lyndon LaRouche's proposals for solving it.

Through his programs, Aguilar has sought for seven years to foster a sense of optimism that Bolivia can develop itself as a unified sovereign nation. He has interviewed Small on his program several times before, allowing him to provide his Bolivian audience with a detailed picture of the international developments which determine "local" events.

One theme which drew a strong response was that Dick Cheney is the Augusto Pinochet of the United States—both were put in power by the same financial interests.

These financial interests, specifically the circles associated with Cheney-controller George Shultz, publicly declared several years ago that they intend to carve up Bolivia into squabbling pieces, to thus trigger generalized war in the center of South America. Now that the South American nations are moving to defend themselves by a return to dirigist economic policies and the creation of a "Bank of the South" to finance regional development, the financiers have set Bolivia's separatist movements into high gear, to blow up South America, before it can help in the formation of a new international financial system, as LaRouche is proposing.

Aguilar's courageous efforts to expose the foreign forces behind the separatist drive in Bolivia have clearly drawn some blood.

## **Aftermath of Peru's Earthquake Is Similar to Katrina**

Aug. 20 (EIRNS)—The aftermath of the massive earthquake, measuring 8.0 on the Richter scale, that hit Southern Peru on Aug. 15, had additional deadly consequences for the population, resulting from the government's failure to respond promptly and the lack of preparedness, due to decades of privatization and "free market" economics. The death count is over 500, but may increase as there is still a lot of debris covering large areas of the cities of Pisco, Ica, Canete, and Chincha Alta, among the most seriously affected.

According to *EIR*'s Lima correspondent Sara Madueño, the situation in the country is not unlike what happened after Hurricane Katrina in Louisiana and Mississippi, because the Peruvian government reacted so slowly, that the initial effects were compounded during almost two days of non-response. Besides those who perished in the earthquake itself, the quake destroyed almost 90% of the city of Pisco, as well as other smaller towns in the area, where most construction is with adobe, mud bricks. Now, those areas are left without any communication whatsoever.

There are shortages of water, food, medicine, blankets, and other essentials, and as a result, looting has broken out in markets and pharmacies. The government has sent in 600 soldiers to help restore order, since the situation has overwhelmed the police.

The Pan American highway that links these coastal towns and cities collapsed in many places, so the towns remain unreachable by land. The phone lines, belonging to a Mexican company that bought it when the phone system was privatized, do not work, nor do cell phones, leaving the area totally incommunicado.

There are thousands of people living outdoors in virtual refugee camps, without enough tents. The reconstruction process will be the major task ahead, and *EIR* plans to publish its proposal to rebuild those cities.

## **Lagos: Nuclear Energy Must Be an Option for Chile**

Aug. 23 (EIRNS)—Former Chilean President Ricardo Lagos used the occasion of an Aug. 20-21 seminar in Spain to promote the development of nuclear energy in his country. In an interview with the financial daily *Diario Financiero*, published Aug. 22, Lagos emphasized that while nuclear may not be a panacea, it is a clean, cheap source of energy, which shouldn't be "demonized." Even the greenies have been forced to recognize that nuclear energy doesn't pollute, he noted.

While taking jabs at Argentina for failing to honor contracts to provide Chile with natural gas—that country's growing internal demand affected its ability to do so—Lagos added that "we must continue to watch what Argentina and Brazil are doing. Nuclear energy is part of their energy matrix," and they've decided to upgrade existing reactors to expand their electricity-generating capabilities.

Businessmen and executives from diverse sectors of the economy, and across the political spectrum, have welcomed Lagos's statements. The head of the energy giant Endesa suggested that northern Chile would be an ideal spot for building a reactor. While President Michelle Bachelet has said she won't consider nuclear power development during her term in office, she has formed a committee of experts to study its feasibility. And Energy Minister Marcelo Tokman has admitted that "it is impossible to rule out nuclear energy."

# Western European News Digest

## Italian Economist Calls for a New Bretton Woods

Aug. 23 (EIRNS)—Italian economist Antonino Galloni has released a statement to *EIR*, in which he says that "the current financial turbulences are only a foretaste of what awaits us starting next Autumn." The system, Galloni continued, "is characterized by an evident excess of liquidity in speculative sectors, such as derivatives and hedge funds, and by a lack of capital for investment."

Currently, "the mass of circulating financial means in the form of unpayable credits is 30 times the value of the yearly production of the world's nations. Central banks can think to protect, through their resources, the savings in their own country, but if the crisis is global, they have no means to build a dam. This potential insolvency, bad debts and similar things are managed through the creation, each time, of more and more junk paper, that still finds purchasers in people blinded by the possibility of easy and huge gains, swindled by their financial advisors and brokers."

"In my view," Galloni concludes, "the only chance to avoid a collapse at the end of this Autumn, which can disrupt the real economy, is to dedicate the next two years—within which the decisive crisis will unfold—to create a new Bretton Woods [system] that succeeds in transforming pseudo-monetary paper assets, into long-term obligations to finance large planetary infrastructure and an economic recovery. Only in this way, by exploiting the potential of the planet for development, is it possible to transform the current, dangerous, and speculative pseudo-currency, into assets that correspond to the value of world production in 10 or 20 years."

## London Paper: Crisis Won't Be Over Any Time Soon

Aug. 18 (EIRNS)—The London *Guardian's* economics editor Larry Elliott wrote in a commentary today that anyone who says things will be over soon, is "lying or in denial."

The problem has been brewing since the Fed let loose the cheap money from the beginning of the 1990s to set off the stock market bubble, and when that burst, the "biggest housing bubble to date. The bubble burst about a year ago, but the pain will last for a long time."

Elliott cites Nouriel Roubini of New York University's business school, making the point that this is not a liquidity crisis—as LTCM was in 1998—but an *insolvency* crisis, and "slashing rates makes no difference when people are going bust." This is going to be "very serious indeed," and things will be "particularly dire" for Britain, Elliott writes. "Financial services" have been almost half of UK economic "growth" in the last year. Now, the housing bubble is in trouble, and the City of London, "which has marketed itself as a giant offshore hedge fund, ... will find business drying up.... It is an exaggeration, but perhaps not much of one, to say Britain is dependent on speculation," Elliott wrote. Germany produces something, but "Britain uses its brains to develop products that have no intrinsic value and have helped to take the global financial system to the edge of the precipice."

Lyndon LaRouche expressed his agreement with Elliott's remarks.

## European Leaders in Dangerous Denial of Reality

Aug. 23 (EIRNS)—Indicative of the disinterest and incompetence of Europe's political leaders, who prefer to remain in denial of the reality of the systemic collapse, was the London meeting between German Chancellor Angela Merkel and

British Prime Minister Gordon Brown, held Aug. 22 in London. Apparently, they found no time to discuss any of the pressing financial issues, and there is no trace of any of the "new initiatives" that Merkel announced two days earlier, concerning "hedge fund transparency." A dangerous omission, especially since Merkel is chairing the G-8 in 2007.

Instead, both leaders announced a "global health partnership" which allegedly is to realize the UN Millennium Agenda of 2000 by the year 2015, including combat against AIDS. While this agenda may claim to have benefits for the developing-sector nations, Merkel and Brown made no mention of how to achieve these goals. Moreover, they discussed the global warming non-issue as an allegedly "pressing problem," and after their official meeting, they both went to watch the soccer match between Britain and Germany (Germany won).

The situation does not look much better, with the French leaders: President Nicolas Sarkozy has been very vocal against hedge funds and against the European Central Bank, but neither he nor Finance Minister Christine Lagarde, who yesterday called for state action to restore the functioning of financial markets, have indicated what they actually intend to do. These leaders are as yet light-years away from the New Bretton Woods.

### **Saxony State Bank Crisis Brings Merkel Back to Reality**

Aug. 20 (EIRNS)—The crisis of Sachsen LB (subsidiary of Landesbank Sachsen Girozentrale) has been the leading news item in the economic press of Germany. The Sachsen LB crisis finally woke up Chancellor Angela Merkel, just returning to Germany from her sightseeing tour of Greenland's allegedly melting glaciers. Unfortunately, her response to the banking crisis, a call for greater transparency, made in an interview with *Bild am Sonntag* Aug. 19, was less than stunning, not having changed since the discussions at the Group of Eight Summit in June. As president of the G-8 for 2007, she is in a perfect position to call for a New Bretton Woods conference to be attended by the most important countries.

### **German *Mittelstand* Lambasts Speculators**

Aug. 21 (EIRNS)—The banking and fund crisis, especially the exposure of Deutsche Bank's role in multi-billion-dollar leveraged speculation, has enraged the *Mittelstand* (small to medium-sized) industry of Germany to such an extent, that the BDWi, one of its organizations, mailed a letter of protest to 50 private banks, calling for an end to the Basel II criteria for credit-issuing, and for a return to industry financing, instead.

Signed by the association's president Werner Kuesters, the BDWi stated, "among the *Mittelstand*, outrage is spreading. Whereas the private banks, under the slogan "Basel II," are, to a large extent, refusing loans to small and medium-sized enterprises, they are engaged in billions of euros of foul loans from abroad." The rating practices of the Basel II agreement, based on "mathematical standard procedures," have lead to a discrimination against smaller firms, "to their harassment and ousting from business."

Once praised as the "magic wand," the Basel II criteria have "totally failed, now," the letter notes. Basel II has to be abandoned, and mechanized, anonymous rating practices have to be replaced by credit issuance that is tailored to the particular firm which is concerned.

### **ECB Should Act Like Roosevelt, Says U.S. Economist**

Aug. 22 (EIRNS)—University of Maryland economics professor Peter Morici, in a column published today ("Hedge Fund Con Men at the Heart of Credit Crisis") makes this trenchant comparison between the actions of the central banks in the credit crisis, and those of U.S. President Franklin Roosevelt:

"It's a modern-day run on the bank, where the banks become the depositors, and the hedge funds and equity funds are the banks. Unfortunately, the ECB [European Central Bank] behaved as if it were Franklin Roosevelt, and is in out of its depth. Roosevelt did more than merely provide liquidity; he closed the banks in 1933 so that depositors could not withdraw their savings, and stopped the banks from foreclosing on farm and home loans until sanity resumed." FDR, at that time, faced a foreclosures crisis just like that now sweeping the United States.

The central banks should "not behave like the ECB did, like a frightened child," says Morici, referring to its panic emissions of \$400 billion worth of extraordinary liquidity since Aug. 9.

## **Irish Think Tank Proposes Infrastructure Link Between Ireland and Scotland**

Aug. 23 (EIRNS)—Today's issue of the *Herald* (Glasgow, Scotland) features an article entitled "Joined-up thinking: plan for bridge from Scotland to Ireland," which states that "A 21-mile bridge or tunnel connecting Scotland and Ireland would provide a 'massive' boost for both countries, according to an Irish think tank." The article is based on a paper by Andy Pollak, the director of the Centre for Cross Border Studies, established in 1999, in Armagh (Northern Ireland) and Dublin, to research and develop cooperation in education, health, and economic projects between the Republic of Ireland and British Northern Ireland.

According to the *Herald*, such "a link would provide a massive social and economic boost to both parts of Ireland and Scotland." The discussion takes place as Scotland continues to debate re-establishing its independence from Britain, and with national elections approaching.

The idea for constructing a connection between Scotland and Ireland was proposed by LaRouche-associate Mark Calney in his 1996 book, published in Scotland, *Robert Burns & the Ideas of the American Revolution*.

## **Boston Tenants Groups Target Deutsche Bank on Foreclosures**

Aug. 23 (EIRNS)—According a report in the *Boston Herald* today, tenant activists met with representatives from Deutsche Bank over the eviction of tenants whose landlords fall behind on loans, and challenged the bank to admit to a "moral responsibility" to tenants, not just "an economic responsibility to investors." The *Herald* reports that Deutsche Bank serves as trustee for institutions that invest in mortgages, and its name appears on eviction notices sent to tenants whose landlords default on loans. The Bank maintains that it is merely an industry middleman.

Boston City Council Member Chuck Turner, who participated in the protest and meeting, told the *Herald* that he believed the bank is ignoring its responsibility for actions that lead to evictions.

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

### **Glazyev: Global Bubble, Inflated Since 1971, Is Finished**

Aug. 23 (EIRNS)—Russian economist Sergei Glazyev, member of the State Duma and head of the National Institute for Development, gave a press conference in Moscow today to lay out the dimensions of the current global financial crisis. According to reports from the Rosbalt and Novy Region agencies, he identified as the foremost symptoms of "the self-destruction phase of the dollar and yen financial bubbles," the same two developments in international finance, which Lyndon LaRouche has named the "bookends" of the current crisis. Those are the mortgage crisis in the United States, and the devastation of international investment institutions by their involvement in the yen carry trade.

"The situation in world markets can be called a permanent economic crisis, so nobody should be surprised by the ongoing devaluation of the dollar, or the absence of industrial growth in Japan," said Glazyev.

More fundamentally, Glazyev explained, this is the end-phase of a nearly 40-year process. "Starting in 1971," he said, "the U.S. Federal Reserve System and the Bank of Japan have been pumping their currencies into the world economy.... The National Bank of Japan has printed as much money as Japan itself, and neighboring countries, could swallow." Glazyev's mention of 1971 is a reference to the end of the post-World War II Bretton Woods system, when George Shultz, as President Richard Nixon's director of Management and the Budget, oversaw the end of fixed exchange rates. Since then, said Glazyev, "the U.S. Fed has been issuing as much as \$2 billion per day, and, in August 2007, the figure has been ten times that.... But, every financial pyramid comes to an end, sooner or later."

Glazyev warned that Russian financial officials were insufficiently attuned to the oncoming crisis, saying that "they are taking no measures" to deal with it. Even in the short term, he said, Russia has lost \$30 billion through the dollar's fall, while the investment of a good portion (45%) of the country's \$120 billion so-called Stabilization Fund in dollars threatens to bring much greater losses. As short-term measures, Glazyev called for holding more of Russia's Central Bank reserves in gold, and denominating Russian oil exports in rubles. The ruble, he added, "could be turned into a reserve currency for the CIS countries, Europe, and China." The possible use of the ruble in this way was also mentioned by President Vladimir Putin during the June 2007 St. Petersburg International Economic Forum.

Glazyev, who has been courted by various political blocs for their slates in the December 2007 State Duma elections, said he will decide within the next two weeks, whether or not to run. The founder and former head of the Rodina (Homeland) Party, Glazyev said earlier this year that he would not primarily play politics, but would try to provide ideas and leadership for Russia through the Academy of Sciences, of which he is an associate member. Glazyev said today that he is in a dialogue with several parties.

## **Russia Urges Czechs To Wait on U.S. Radar**

Aug. 22 (EIRNS)—Russian Chief of the General Staff Gen. Yuri Baluyevsky, during an Aug. 21 visit to Prague, urged leaders of the Czech Republic not to rush into making a decision on accepting placement of a U.S. anti-missile radar station. It would be a "big mistake," he said, to make that decision before the American Presidential election next year. Itar-Tass reported that, indeed, the Czech parliament will not adopt a resolution on the deployment of the radar, integrated in the U.S. ABM system, at least before the end of this year.

"I and my Russian colleagues simply ask that process continue through to October-November of 2008, and I think you can all guess why," Baluyevsky said. "I do not exclude that a new administration in the United States will re-evaluate the current administration's decisions on missile defence." Following talks with the Russian general, Czech First Deputy Defense Minister Martin Bartak said: "We have not yet said the final word on this, and we will not until we have explored all avenues."

Russian officials will hold talks with representatives of Azerbaijan in early September, regarding Putin's offer to the U.S. to jointly develop the Gabala, Azerbaijan radar facility, currently rented by Russia, as a screen oriented towards Iran and other points south. There will be a second Russian-American "experts' meeting" on the proposal, in Moscow later in the month.

## **Possible New Russian Nuclear Deals in Jordan, Yemen**

Aug. 21 (EIRNS)—Jordan's Ambassador to Russia, Abd-al-ilah al-Kurdi, told a news conference in Moscow Aug. 19 that

Jordan is expecting Russia's help in developing its nuclear energy program. "Jordan intends to build a nuclear power plant," he said, noting that Jordan has uranium deposits on an industrial scale, and should develop its own nuclear program. "Russia, naturally, has vast experience in this field, and it could contribute to the implementation of these projects, at the state level, or through private companies." He also invited Russian companies to participate in developing other energy facilities and port infrastructure, in geologic exploration, and in the construction of a canal linking the Red Sea with the Dead Sea, Interfax reports.

On Aug. 20, Russian officials expressed interest in a contract to build a nuclear power plant in Yemen, whose Electricity and Energy Minister, Mustafa Bahrn, said the country has decided to develop nuclear power, SABA news agency reported. Last October, Yemeni President Ali Abdullah Saleh said his country was negotiating with U.S. and Canadian firms to construct a nuclear power plant, but Russia has now stepped up its overseas projects in the industry.

## **Russia Upgrades Space Cooperation with Europe, Ukraine**

Aug. 22 (EIRNS)—In discussions on Aug. 21 at the MAKS-2007 air show in Zhukovsky, near Moscow, Russian Space Agency head Anatoli Perminov and European Space Agency (ESA) head Jean-Jacques Dordain agreed to form a working group to continue studying development of a joint next-generation manned spacecraft, Novosti reported. The Russians must either replace or substantially upgrade the time-honored Soyuz, and Western Europe has never developed an independent capability to send astronauts into space. According to the Washington office of ESA, the September meeting of the working group will continue the ongoing study of the interest and expertise of each space agency, and discuss options for designs.

ESA has been working to build a new launch pad for Russian Soyuz ST rockets, at its equatorial Kourou launch site in French Guyana, and a contract has been signed between French satellite launch firm, Arianespace, and the Russian Space Agency for the first launch of four European satellites on Russian rockets. As Russia has only northern latitude launch facilities, the equatorial site allows for hundreds additional pounds of payload to be launched into Earth orbit on the same rocket power.

RosBusinessConsulting reported Aug. 21 that Yuri Alexeyev, head of Ukraine's National Space Agency, would also meet with Perminov at the air show, to discuss the current state of cooperation. Ukraine was an integral part of the Soviet space program, which Russia is trying to reconstitute. Russia and Ukraine both contribute hardware to the Boeing-managed Sea Launch project.

## **Southwest Asia News Digest**

### **Are Cheney and the Brits Plotting a Coup vs. Maliki?**

Aug. 25 (EIRNS)—There is mounting evidence that the Cheney-Bush Administration and the British government are plotting the overthrow of the Iraqi government of Prime Minister Nouri al-Maliki, in order to replace him with a "strongman" tied to former Prime Minister Iyad Allawi and the recast Iraqi intelligence service. According to one well-placed Arab source, the U.S. and British governments are working behind the scenes to isolate and discredit the current Iraqi Prime Minister, with accusations that he is an Iranian agent or, at least, a Shi'ite-only sectarian leader, who cannot hold the country together.

U.S. intelligence sources contacted by *EIR* have confirmed that both Washington and London, under strong pressure from Saudi Arabia, are trying to oust Maliki, and blame him for the failure to politically stabilize Iraq through the Bush Administration's failed military "surge" policy. On Aug. 24, a number of U.S. news organizations, including ABC and



CNN, revealed that Allawi had hired a White House-linked Washington public relations firm to lobby for him. The \$300,000 payment went to Barbour Griffith & Rogers, a firm headed by Robert Blackwill, the former Bush White House special emissary to Iraq. BGR also employs Philip Zelikow, a recently retired aide to Secretary of State Condoleezza Rice, and top Bush-Cheney fundraiser Lanny Griffith. The firm's founder, Haley Barbour, headed the Republican National Committee at the time of the 2000 Bush-Cheney election, and is now the Republican Governor of Mississippi.

The "dump Maliki" rhetoric has also come, increasingly, from the mouths of Bush Administration officials, including the U.S. Ambassador in Baghdad, Ryan Crocker, and President Bush himself. Speaking in Montebello, Quebec, during a summit meeting with his Canadian and Mexican counterparts last week, President Bush hinted that the Iraqi parliament should dump the Prime Minister. The backlash against the President from "the foreign policy establishment," according to one U.S. intelligence source, was so severe, that several days later, speaking before the Veterans of Foreign Wars, the President reversed himself and praised Maliki as "a good guy." Nevertheless, the Bush-Cheney kiss of death was unmistakable, and sources tell *EIR* that the coup maneuvers are moving apace.

One U.S. intelligence official, who confirmed the efforts to replace Maliki, and the role of Allawi in the effort, cautioned that the prospect of success was near zero, and the outcome of such an effort could be disastrous—leading to the breakup of the country altogether.

## **NIE on Iraq Presents Mixed Picture**

Aug. 24 (EIRNS)—A new U.S. National Intelligence Estimate, released in a declassified summary on Aug. 23, concludes that although the addition of 30,000 U.S. troops in Iraq has brought some reduction in violence, "Broadly accepted political compromises required for sustained security, long-term political progress, and economic development are unlikely to emerge unless there is a fundamental shift in the factors driving Iraqi political and security developments." It also says that the "bottom-up" security initiatives that have reduced violence in Anbar province "represent the best prospect for improved security over the next six to 12 months" but only if they're accepted by the government in Baghdad. As for the viability of that government, the intelligence community "assesses that the Iraqi government will become more precarious over the next six to 12 months because of criticism by other members of the major Shia coalition, Grand Ayatollah Sistani, and other Sunni and Kurdish parties." On the other hand, "We judge that [Prime Minister] Maliki will continue to benefit from recognition among Shia leaders that searching for a replacement could paralyze the government."

In what appears to be a response to Congressional calls for a reduction in U.S. troops levels and a change in their mission, the NIE states that, "changing the mission of coalition forces from a primarily counterinsurgency and stabilization role to a primary combat support role for Iraqi forces and counter-terrorist operations to prevent AQI [Al-Qaeda in Iraq] from establishing a safe haven would erode security gains achieved so far."

No mention is made, in this unclassified summary, of the potential impact on the situation in Iraq of Dick Cheney's war plans for Iran, the Cheney plan to dump Maliki, or of the Saudi role in the Sunni areas, in conjunction with those plans.

## **Maliki Warns Washington: Iraq 'Can Find Friends Elsewhere'**

Aug. 22 (EIRNS)—Iraqi Prime Minister Nouri al-Maliki today lashed out against President Bush's recent demands that the Iraqi government has "to do more" to solve the crisis.

Addressing a conference in Syria, Maliki responded: "No one has the right to place timetables on the Iraq government. It was elected by its people.... We care for our people and our constitution and can find friends elsewhere," Maliki said.

Maliki told the audience that he blamed the U.S. Presidential campaign for the latest spate of attacks. "Those who make such statements are bothered by our visit to Syria. We will pay no attention."

Prime Minister al-Maliki did not name any names, but he was clearly referring to Sen. Carl Levin (D-Mich.), who said on Aug. 20 that Maliki, a Shi'ite, should be ousted and replaced with a less sectarian leader. Earlier, U.S. Ambassador to Iraq Ryan Crocker said he was disappointed and frustrated by the lack of political progress by al-Maliki's government.

## **Brits Leaving Iraq Put South in Militia Hands**

Aug. 25 (EIRNS)—Sources in Britain have told the London *Guardian* that the withdrawal of troops from the last British base in the city of Basra "is imminent." Ministry of Defence officials privately say that a decision in principle has been taken, and the 500 British troops are on the verge of leaving.

Apparently, security at the base is so precarious that Labour MP Kevan Jones, a member of the House of Commons Defence Committee who just returned from a visit there, described delivery of supplies to the base as "nightly suicide missions." He said "We have a force surrounded like cowboys and Indians in the Basra palace."

The *Guardian* report conforms with a discussion *EIR* had with a senior British military source, who admitted that they are turning southern Iraq over to Shi'ite militias—not the Iraqi government—and that it's the British government policy to do so.

## **U.S. Rejects IAEA-Iranian Nuclear Agreement**

Aug. 25 (EIRNS)—On Aug. 22, the International Atomic Energy Agency (IAEA) and Iran reached a breakthrough which the Agency characterized as a "milestone." It set up a framework for settling all outstanding issues. However, the U.S. has rejected the deal. As the LaRouche Political Action Committee (LPAC) has warned for months, there is no possibility to normalize U.S. relations with Iran—or take the war danger off the table—as long as Dick Cheney remains as Vice President—and the controller of the Bush Administration.

Following two days of talks in Tehran, IAEA deputy director Olli Heinonen, and deputy secretary of Iran's Supreme National Security Council (SNSC) Javad Vaeedi, announced they had reached "effective progress," Vaeedi told IRNA today. He said that the two succeeded "to finalize an agreement previously made between the SNSC's secretary, Ali Larijani, the IAEA secretary general, Mohamed ElBaradei, and the EU foreign policy chief, Javier Solana. We made great and effective progress in fulfilling this major mission," Vaeedi stressed.

Heinonen referred to his talks with Vaeedi as "good and productive," noting, "We have now in front of us an agreed working plan, how to implement it, and we have a timeline for the implementation." Heinonen said exact details about their agreements "will be revealed in ElBaradei's report to be published in September." Asked whether the dossier would be returned from the UN Security Council to the IAEA, Heinonen replied: "We will deliver our report to the Board of Governors [of the IAEA] and it is up to the Security Council to send back or keep the case."

The U.S. response came immediately, from Greg Schulte, the ambassador at the IAEA in Vienna. The U.S. criticized the deal as having "real limitations," and again accused Iran of manipulating IAEA inspectors. Schulte also complained that Iran had not complied with earlier agreements, and argued for tougher sanctions at the UN Security Council. While the ambassador's statement in itself cannot dictate what the IAEA does, Washington-based intelligence sources tell *EIR* that Cheney is pushing for a hard resolution against Iran at the UN over the nuclear program, despite opposition from China, which has a veto in the Security Council, and from the European Union, which has been involved with the IAEA/Iran

negotiations.

Also on Aug. 22, Iranian President Mahmoud Ahmadinejad, on a visit to Azerbaijan, reiterated his nation's commitment to continue its nuclear energy program, adding, "We think that all people should develop nuclear technologies for peaceful purposes within the IAEA."

## Asia News Digest

### China's Shadow Behind U.S.-India Nuclear Deal?

Aug. 20 (EIRNS)—The U.S.-India nuclear deal has run into difficulties in the Indian Parliament, along the expected lines. A majority of Indian MPs are opposed to the deal, as posing political threat to the government. Among those who oppose the deal are 70 left MPs, who support the government.

There are reports that the left's opposition could be due to recent reports that China is opposed to the deal. There are media reports on China-Pakistan negotiations over a civilian nuclear cooperation agreement, similar to the deal between the United States and India. This has shaken up India's left.

Also, articles in the official Chinese and English-language media, appearing since the July 27 conclusion of negotiations by the U.S. and India on the implementation of their civil nuclear cooperation agreement, have unstintingly questioned the two countries' motives. This approach stands in contrast to Beijing's willingness, noticed at official levels until recently, to be open-minded on the issue.

The themes in the Chinese media can be summed up as: U.S. double standards; by reaching the agreement with India, Washington has violated international non-proliferation norms and exposed its double standards, as against the different treatment accorded to Iran and North Korea; the wish to draw India into U.S. global strategy; U.S. economic and counter-terrorism interests; U.S. defense-related moves; the importance lent to India's military cooperation with the U.S.A.; India's "Big Power" ambitions and America's global democracy initiative.

Although the initial negotiations have been concluded, the deal will not go to the U.S. Congress for full approval till India gets approval of the 45-member Nuclear Suppliers Group (NSG), which is responsible for all nuclear-related material trades. The NSG approval is based on consensus, not majority. China is a member of the NSG, and when push comes to shove, India has to seek China's approval. Sources indicate that India's leftist MPs, who support the government, would try to stall the deal before it goes to the NSG. A Chinese denial would cause a serious rift in bilateral relations of the two countries.

### U.S. Pushing for Greater Crisis in Pakistan

Aug.23 (EIRNS)—It is evident that the plan to strip power from Pakistan's strongman, President Pervez Musharraf, is fully operative. Appearing on the PBS program "Newshour" Aug. 22, former Pakistani Prime Minister Benazir Bhutto, who has been living in exile since 1999, and is being promoted lately by Washington to counter Musharraf, said she has outlined an agreement that would reduce Musharraf's power while allowing her to return from exile in Dubai, UAE—and perhaps to government.

"So we're not trying to bail out a military dictator by saying we will come there on your terms. What we are seeking is a compromise that could help bring about a stable, democratic, civilian order," Bhutto stated to Newshour host Jim Lehrer.

On Aug. 23, two other developments pushed Musharraf into the corner. First, Pakistan's Supreme Court, whose Chief Justice Iftikhar Mohammed Chowdhury had been sacked by the President, but was reinstated with the help of the "democracy crowd" backed by Washington, said that another former Prime Minister, Nawaz Sharif, a favorite of the Saudi royal household, can return home after his seven-year exile in Saudi Arabia.

Second, dozens of suspected Islamic militants have been released from prison without trial, in a direct challenge to Musharraf by the country's judiciary. These militants were seized by the ISI (intelligence agency), and held without charge for up to three years. A few Baloch dissidents were also released.

The developments raise once again the specter of emergency rule in Pakistan. Musharraf was about to impose such a rule early in August, but was thwarted by the U.S. Secretary of State Condoleezza Rice. Since these developments are expected to take a heavy toll on Pakistan's body politic, the Minister of Railways, Shaikh Rasheed Ahmed, told the *Daily Times* that the next two weeks are critical for Pakistan.

## **India Joins Anti-China 'Arc of Democracy'**

Aug 23 (EIRNS)—Having plunged head-first into a civilian nuclear deal with the United States, without explaining to the Indian population why the deal is necessary, and facing strong opposition which has weakened the government significantly, India's blundering Prime Minister Manmohan Singh has now landed himself in "deep kimche" by expressing his intent to join an "Arc of Democracy" with Japan, Australia, and the United States, while keeping China out of it.

Although the very phrase, "Arc of Democracy", was coined by visiting Japanese Prime Minister Shinzo Abe, the seeds of the proposal were sown by Singh himself, when he visited Japan last December. During that visit, in an interview with the Japanese daily *Yomiuri Shimbun*, Singh characterized India and Japan as "the largest and the most developed democracies in Asia, which share a strong commitment to freedom, the rule of law, and respect for human rights." As against this, he characterized India and China as "the two largest developing countries." This has not gone unnoticed in Beijing.

## **British Carried Out 'Untold Holocaust' in India**

Aug. 24 (EIRNS)—One of the tragedies of English-speaking British colonies is that their history under British rule was written by British historians, or by colonials who were trained by the British historians. However, it seems the time has come to record history in its true light—at least in India.

Amaresh Misra, writing about India's first War of Independence in 1857, in his recently published book *War of Civilisations: India AD 1857*, said that there was an "untold holocaust" that caused the deaths of almost 10 million people over ten years, beginning in 1857. British-fed historians, claims Misra, have counted only 100,000 Indian soldiers who were slaughtered in savage reprisals, but none have tallied the number of rebels and civilians killed by British forces desperate to impose order.

"It was a holocaust, one where millions disappeared. It was a necessary holocaust in the British view because they thought the only way to win was to destroy entire populations in towns and villages. It was simple and brutal. Indians who stood in their way were killed. But its scale has been kept a secret," Misra told the London *Guardian* in an interview.

Misra's calculations rest on three principal sources. Two are records pertaining to the number of religious resistance fighters killed—either Islamic mujaheddin or Hindu warrior ascetics committed to driving out the British. The third source involves British labor-force records, which show a drop in manpower of between a fifth and a third across vast swaths of India, which as one British official records, was "on account of the undisputed display of British power, necessary during

those terrible and wretched days—millions of wretches seemed to have died."

## **LaRouche Society Rallies Philippines To Go Nuclear**

Aug. 22 (EIRNS)—Philippines President Gloria Macapagal-Arroyo announced Aug. 20 that her government will once again develop nuclear power, 22 years after the U.S. forced that nation to place Southeast Asia's first completed nuclear power plant in mothballs. This decision came in the wake of an intervention by the Philippines LaRouche Society (PLS) and the Philippines LaRouche Youth Movement to rally the business, government, and youth leaders of the nation to face the existential necessity of participating in a global nuclear renaissance. Energy Secretary Angelo Reyes, noting that other nations of Asia are already highly advanced in nuclear development, said the government was organizing a team to prepare a study for the return to nuclear power, and to call up and train a new group of nuclear experts, since most of their former experts have long since left the country.

A high official of the Energy Department told the PLS that the nuclear presentation made by PLS leader Butch Valdes, and the material gathered from *EIR* and *21st Century Science & Technology*, were "very, very impressive." The Chamber of Commerce of the Philippines Foundation, which invited Valdes to address their conference on nuclear power and help prepare their proposal to the government, will present that proposal within the coming weeks.

## **Africa News Digest**

### **Killing of Somali Clan Elder Undercuts Reconciliation Efforts**

Aug. 20 (EIRNS)—For the first time in living memory, a clan elder in Somalia has been killed. The assassination of Maalim Harun Maalim Yusef on Aug. 19 has undercut efforts in Mogadishu to bring about a reconciliation among warring factions. "The killing of this elder is going to create fear amongst the delegates. It will definitely damage the talks," a peace activist, who said he was too frightened to give his name, told Reuters. "We don't know why they killed him," said his widow. "He was a delegate to the peace talks." Residents say that elders have been too revered to be targets. "This is really the first time an important elder like him has been killed," said Abdirahman Ahmed, another delegate at the talks. "This is a big blow to peace."

Yusuf belonged to the same sub-clan as Prime Minister Ali Mohamed Gedi. He was chief negotiator of a sub-clan of the Abgal clan at the reconciliation conference. Delegates say he played a key role.

Fighting broke out in the nearby Horuwa district of Mogadishu hours after Yusuf was killed. Mortars were fired at police who took up positions around a children's hospital.

On Aug. 20, the day after Yusef's assassination, a landmine wounded four civilians close to the site of the peace meeting, as the chaos in the country and its capital increasingly mimics that in Iraq and Baghdad.

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[top of page](#)

[home page](#)