

[return to home page](#)

Will Europe Collapse Before the United States?

by John Hoefle

As the very fabric of civilization breaks down under the weight of a global financial disintegration and the failure of the political leadership to address this crisis in anything approaching a competent manner, the question is put to the populations of the world: Will you intervene to put your governments back on track before the world collapses into a new Dark Age?

Political paralysis has set in across the leading strata of the Western world, as the financial elite attempts to bend reality to its will, only to find out that there are powers in the universe far more formidable than parasitic oligarchs and their lackeys. The oligarchs, having destroyed the global economy in their insane drive to control the world, are now confronted with the inability of that destroyed system to save them from the consequences of their actions...

In-Depth articles from EIR, Vol. 35, No. 29

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Feature

- **Will Europe Collapse Before the United States?**

While the U.S. administration has absolutely no idea of what to do about the financial crisis, the situation is equally disastrous or even more so in Europe, where the EU's Maastricht Treaty prevents nations from taking sovereign actions to defend themselves. The larger problem in Europe is the entrenched class structure, and the parliamentary system which gives the oligarchs free rein. In the United States, with all its problems, the Declaration of Independence and the Constitution provide the framework required to solve the crisis. **John Hoefle** reports.

- **Paulson's Three-Point Plan:**

Panic, Change Pants, Rinse and Repeat

- **A Call for a New Bretton Woods:**

We Need a New World Economic Order, Now!

by Helga Zepp-LaRouche

Economics

- **Record Wheat Harvest This Year?**

But Way Below Worldwide Need

Even with improved harvests, there simply is not enough food for hundreds of millions of people. Double food production, stop the use of grains for biofuels, and ban speculation in food commodities!

- **Canada's Wheat Can Grow World Food Production:
End Bio-Foolery Now!**

Canada, one of the world's leading grain exporters, has an important role to play in any solution to the world food crisis. But a change in axioms is first required.

International

- **'Imperial Criminal Court' Opens Gates of Hell in Africa**

The intention of the International Criminal Court's call for the arrest of Sudanese President Omar al-Bashir, is to wreck Sudan's North-South peace settlement and plunge the country into civil war, in the interests of implementing the Anglo-Dutch dark-ages policy for Africa. Who's behind the ICC? The British and their henchman George Soros.

- **George Soros Owns the Court Indicting Bashir**

- **ICC's Moreno Ocampo:**

A British Pedigree

- **An Imperial Criminal Court
by Lyndon H. LaRouche, Jr.**

This memorandum, which was first issued on July 19, 2002, exposed the International Criminal Court as an imperial tool which would condemn all mankind to the kind of horrors suffered under the Roman Empire and the ensuing Dark Age.

- **Mediterranean Union:
Oasis or Mirage?**

The founding of the Union for the Mediterranean in Paris July 12-13, a project of French President Sarkozy, is potentially useful, but there are formidable obstacles in the way of its success.

- **International Intelligence**

National

- **Veterans Affairs:
When VA Fails, States Have To Fill the Gap**
- **Halt, Bankers!
We Are the U.S. Government**

Excerpts from a radio interview with Lyndon LaRouche on Khari Enaharo's "Straight Talk Live" broadcast from Columbus, Ohio.

- **National News**

Science & Technology

- **The Alarmist 'Science' Behind Global Warming**

An interview with Lord Nigel Lawson.

- **Questioning the Global Warming Religion**

A review of *Appeal to Reason: A Cool Look at Global Warming*.

Interviews

- **Nigel Lawson**

Lord Lawson was Britain's Chancellor of the Exchequer during the Thatcher years, and is an outspoken opponent of the fraud of 'global warming.'

Editorial

- **Give Diplomacy a Chance**

U.S. Economic/Financial News

Energy Deregulation Blows Up in Texas

Hundreds of IndyMac Customers Line up to Get Their Money

Youth Face Depression-Era Unemployment Rates

GM Cuts Off Arm and Leg To 'Stay Alive'

Energy Deregulation Blows Up in Texas

July 17 (EIRNS)—The deregulation of the power sector in Texas by then-Gov. George W. Bush has caused an explosion in an "Enron"-style binge of speculative looting, with electricity prices up to 40 times the national average. Bush signed the dereg bill in 1998, saying: "Competition in the electric industry will benefit Texans by reducing monthly rates and offering consumers more choices." Within a few years of the bill's implementation, in 2002, the retail companies which were set up to buy electricity from competing producers, and then sell it to consumers, began going bankrupt, and the bottom-feeders were able to move in. Suez Energy Marketing NA (part of the French Suez group) figured out how to offer energy at \$170 a mw hour, but end up selling it at \$2,250 per mw hour—a 1400% increase.

The congested power lines in the state, which were not designed for free-market electricity transfers all over creation, helped force buyers into the spot market, where the sky's the limit.

Hundreds of IndyMac Customers Line up to Get Their Money

July 14 (EIRNS)—IndyMac depositors were not taking their "soma" and instead of being lulled by false assurances, more than 200 were lined up outside the bank when it opened in Pasadena, California, demanding to get their funds. The LaRouche Youth Movement was there, exposing George Soros's role in bringing about the financial crisis, and presenting Lyndon LaRouche's unique solution to the crisis.

In a hilarious counter-operation, officials of the FDIC were also outside the bank, telling depositors to go home, that their money is safe. Needless to say, the depositors were not willing to take chances.

FDIC spokesman David Barr told reporters outside IndyMac's headquarters, "We have to completely unwind the affairs" of

the bank. "We may sell a portion to another bank, sell real estate. There may be lawsuits. There are a lot of different aspects to this," indicating it could take "years" to sort out the mess. Recalling echoes of the Great Depression, IndyMac customer James Sherman who had more than \$100,000 deposited in the bank, said, "This is my life savings here," adding that he hoped to get 50 cents on the dollar for his savings that are above the federally insured level. "What do you resort to now, putting money back in the mattress?" he asked.

Youth Face Depression-Era Unemployment Rates

July 15 (EIRNS)—The national jobless rate for U.S. youth is the highest in six decades, according to a report by Northeastern University's Center for Labor Market Studies. 51% of the nation's teens were employed in 2000; a mere 37% of teens are employed (about one in three) when the study was made in April, and probably fewer today. According to them, the teen employment rate has been deteriorating for over a year, since the Fall of 2006, and today, an additional 2 million teens are unemployed. Youth today are fighting with immigrants and lay-off victims for the same entry-level jobs. Quoting the report, "Low income blacks, Hispanic teens face the equivalent of a Great Depression." The metropolitan area with the highest unemployment rate is Washington D.C., with 86% unemployed youth, but Chicago, Detroit, and New York were all above 80%.

What the report noted, that coverage in today's Washington Post overlooked, is that the entire job market had shrunk by 30% since the beginning of the year.

GM Cuts Off Arm and Leg To 'Stay Alive'

Trying to keep its de facto bankruptcy from becoming de jure in the worsening economic collapse, General Motors Corp. on July 15 announced large new capacity and workforce cuts, and other self-cannibalization moves it calls "cost-saving." They will mean another reduction of perhaps 20,000 employees in the near future.

The company said that it now expects only a 14 million total of all car and light truck sales in the United States this year (a 13% drop from 2007, and nearly 20% down from 2005), and will accelerate the already announced closing of four pickup truck assembly plants, laying off their 10,000 workers by the Fall. GM's blue-collar production workforce will fall to about 60,000, half of what it was just two years ago. It will offer buyouts to 33,000 white-collar workers in the United States, and by that means or layoffs, plans to get rid of 10,000 of them. And it announced that the United Auto Workers has been forced to agree to "defer" the \$1.7 billion GM payment which is due to the company retirees' health-care trust, which in last year's contract was dumped on the union to administer.

GM said it will also eliminate its stock dividends, and try to raise \$2-3 billion in cash by selling brand names, overseas subsidiaries, and its remaining stake in GMAC, its former financial arm, which has been losing large amounts on mortgages and mortgage securities.

All of this is supposed to "generate" \$15 billion in cash which would get the automaker through 2009, at its present rate of losses.

Lyndon LaRouche declared in February 2005 that GM was on the verge of bankruptcy, and then proposed Emergency Recovery Act legislation which could have saved the U.S. auto/machine-tool sector, had Congress acted on it.

Global Economic News

Japan To Raise Food Self-Sufficiency from 39% to 50%

Pasta Flour Price-Fixing in Italy? Cargill, Bunge Raided

LaRouche Told You So: Weimar-Style Hyperinflation Is Here

Japan To Raise Food Self-Sufficiency from 39% to 50%

July 14 (EIRNS)—A panel of Japan's ruling Liberal Democratic Party (LDP) has decided to propose measures to raise Japan's food self-sufficiency rate from the current 39% to 50%. Japan, while it is self-sufficient in rice production, is far from being so in any other food-related area.

The measures being studied include subsidies to get farmers to convert from growing rice, where there is an excess, to growing soy beans and wheat, and serving more rice for school lunches, rather than noodles.

The lack of food self-sufficiency led the *Japan Times* to editorialize about the ramen noodle: "The rise in prices strongly reminds Japanese, right in their gut, that 90% of wheat is imported. Soaring grain prices mean that the wheat, flour, noodle and ramen chain of production is likely to come under pressure, and soon. As the largest importer of wheat in Asia, with some of the highest transportation costs, government ministries and food importers must start reconsidering the past system of imports. Most ramen makers are considering it every morning."

The ramen price rise—call it the ramen index—reminds us that among all the developed countries of the world, Japan's food self-sufficiency ratio, at 39%, is the lowest. In the past, all food prices have been kept at tolerable levels through various interventions, but this is becoming impossible with the hyperinflation.

The editorial concludes: "It is doubtful there will be ramen street protests any time soon, but were the price of beer ever to start to rise...." Grain for beer in Japan is also imported from world markets.

Pasta Flour Price-Fixing in Italy? Cargill, Bunge Raided

July 14 (EIRNS)—Cargill and Bunge are famous for their decades-long rap sheet of convictions—as well as unindicted crimes—of cartel anti-business practices, including collusion for price fixing; market cornering, bid-rigging for contracts, etc. Now comes a new and worthy criminal investigation: Are they price fixing on pasta flour in Italy?

On July 10, European Union and Italian anti-trust enforcers made surprise visits to the Italian offices of Cargill Inc. and Bunge Ltd., seeking evidence of price-fixing of cereals products, ranging from durum wheat flour to animal feed, and extending outside Italy. The probe continues to make headlines in the food industry press, and is welcomed among farmers as something that "couldn't happen to better people," more deserving of prosecution and jail time.

Cargill, a private company headquartered in Minnesota, and Bunge, are among the top five grain cartel companies worldwide, now making killer profits from food shortages, speculation and biofuels. Cargill's net earnings for its corporate third quarter (ending Feb. 29) were up year on year 86%; and Bunge's net income was up almost 2,000% for its first quarter (ending March), year on year, according to the Wall Street Journal report on the Italian raid.

The two companies' operations in Europe are extensive, as they are the world over. Cargill has a large share of Grandi Molini Italiani SpA, one of Italy's largest millers of pasta flour (durum wheat semolina).

The EU issued a bland statement the day of the raid, saying, "Surprise inspections are a preliminary step in investigations into suspected cartels," and that the reason for the search of premises of "traders and distributors of cereals and other agricultural products," is because enforcement officials had "reason to believe that the companies concerned may have violated...rules on cartels and restrictive business practices."

The convictions of Cargill and Bunge to date, are legion. During the early years of the U.S. Food for Peace world food relief program, Cargill rigged bids for sweetheart contracts. Most recently, Cargill paid \$24 million in fines in 2004 in a pre-trial settlement for price-fixing of corn sweetener, a \$3 billion U.S. market. Among the most blatant unindicted crimes of Cargill at present, is the lock-up with Monsanto, for sweeping patent rights to corn, soybean and other seeds. Al Gore has been one of the most prominent defender of these agro-cartels. For example, in 1999, at the Davos World Economic Forum, Gore defended their seed control as their essential "intellectual property right."

The raids on Cargill and Bunge in Italy, are part of a recent pattern of anti-trust investigations in the European Union, e.g., in June, in the Netherlands, a division of Sara Lee Corp., and the giant Unilever, were raided in a probe on price-fixing of home detergents.

LaRouche Told You So: Weimar-Style Hyperinflation Is Here

July 16 (EIRNS)—With the release of the consumer inflation figures for June at 1.1%, year on year, it is evident that the United States is experiencing a double-digit inflation, spiking food and fuel prices skyward.

Europe, in general, and Britain, in particular, has been hit hard by hyperinflationary price rises. The UK's inflation of the monthly consumer price indexes which the central bank targets jumped from 3.3% in May to 3.8% in June. This is the highest month-to-month increase since the index began in 1996. In effect, overall, Britain is on the verge of experiencing a 40% annual consumer price index rise!

France's 12-month inflation reached 3.6% in June, year on year, the highest level since October 1990, marking a near 18-year peak, the official statistics institute, INSEE, told AFP on July 16.

Meanwhile, the price of natural gas in continental Europe is expected to double in the space of one year, due to the high oil prices, the *Financial Times* of London reported July 16.

United States News Digest

[Gore Energy Plan Sure To Lose Election for Democrats](#)

[Dean Confronted by Clinton Supporter in Crawford, Texas](#)

[American Journal of Medicine: It's Time for 'Medicare for All'](#)

[Obama's 'New Ideas' in Foreign Policy](#)

[Is Governor Rendell Returning to His Senses?](#)

Gore Energy Plan Sure To Lose Election for Democrats

July 18 (EIRNS)—British hedge-fund tycoon Al Gore proposed yesterday that the United States stop using all carbon-based fuels for electricity generation within ten years. In a speech misnamed, "A Generational Challenge To Repower America," the former Vice President said all electricity should come from solar, wind, and geothermal sources. He did not mention nuclear energy, which Republicans are increasingly backing. Thus, he points the way for the Democrats to repeat the 1970s fiasco when the Party's anti-working class, anti-industrial nonsense produced millions of "Reagan Democrats."

In the face of increasing public demand to crack down on oil speculators such as George Soros, and Congressional debate on the speculative system, Gore claimed, "If you want to know the truth about gasoline prices, here it is: The exploding demand for oil, especially in places like China, is overwhelming the rate of new discoveries by so much that oil prices are almost certain to continue upward over time no matter what the oil companies promise. And politicians cannot bring gasoline prices down in the short term." Then he blustered, "Renewable sources ... can give us the equivalent of \$1 per gallon gasoline."

Even with recent technical advances that have somewhat reduced the costs of solar cells, the proposal to power the country on mostly solar energy is a bad joke. Whole states would have to be covered over in glass arrays, an economic and land-use catastrophe, without even the means of transferring generated power to other areas.

Gore called for a sharp increase in taxes on the use of carbon-based fuels, to "speed up this transition."

With his non-energy plan, Gore thus reaffirmed his commitment to Prince Philip's genocidal scheme to reduce world population by 4 or 5 billion people.

He tells workers whose jobs he would destroy, "We should guarantee good jobs in the fresh air and sunshine for any coal miner displaced by impacts on the coal industry." He likely has in mind for them that good ol' Tennessee institution, the prisoners' chain gang.

Dean Confronted by Clinton Supporter in Crawford, Texas

July 18 (EIRNS)—Democratic National Committee chairman Howard Dean made the journey to George Bush's hometown to dramatize his so-called "50 states" strategy—a formula for ignoring the formerly industrialized cities and towns of the United States inhabited by the lower 80%. Just as Dean descended from his bus into an RV parking lot and began to declare "Texas is really turning blue," i.e., Democratic, he was confronted by a member of the pro-Hillary PUMA (Party Unity My Ass) group, who told Dean and the 70 people gathered to greet him, "We want a leader who is elected, not selected."

It appears Dean was at a loss for screams, since no reply is reported.

***American Journal of Medicine*: It's Time for 'Medicare for All'**

July 17 (EIRNS)—The July issue of the *American Journal of Medicine* (amjmed.com) publishes a commentary, co-authored by its editor-in-chief, calling for a single-payer, non-profit "Medicare for All" health-insurance system for the country. The commentary in the 120,000 circulation journal of the Association of Professors of Medicine says upfront, "The U.S. health care system, which depends on private, for profit health insurance, is not working. It is time for national

health insurance!" The article notes that the World Health Organization, as of 2000, ranked the U.S. health-care system 37th among 191 countries, and last among 17 industrialized nations. The United States is the *only* industrialized nation that does not ensure access of health care for all its citizens. The piece also notes that U.S. health-care costs rose 78% from 2002 to 2007, while the official inflation rate was 17%. Americans pay twice as much for health care as the citizens of any other industrialized country. Only about two-thirds of health insurance premiums are spent on actual health care. The rest goes to administrative costs and profits for the insurance companies. Only 2% of the government's non-profit Medicare program's costs go to administrative costs.

The Medicare for All bill, H.R. 676, introduced by Rep. John Conyers (D-Mich.) and backed by Lyndon LaRouche, now has 91 co-sponsors. The latest to sign on, July 10, was freshman Congressman Andre Carson (D-Ind.), who won a special election in March. Last month, the National Conference of Mayors unanimously endorsed Medicare for All.

Obama's 'New Ideas' in Foreign Policy

July 15 (EIRNS)—Repeatedly invoking the image of George Marshall as an example of a shift in U.S. foreign policy, Democratic Presidential hopeful Barack Obama spoke today at the Ronald Reagan International Trade Center. Maintaining, as he did during the campaign, that the Iraq War was a misdirection of the Global War on Terror, the Senator said he would begin a phased pullout from Iraq, designed to last 16 months. In that time, he would shift the focus to Afghanistan, adding two divisions (10,000 troops), and offering \$2 billion in humanitarian assistance, something he would extend to Pakistan.

Other goals announced, included securing nuclear weapons and material worldwide, and breaking the "tyranny" of dependence on foreign oil. Raising climate change to the level of a national security issue, Obama would put \$150 billion behind a ten year effort to "green" the future. His fifth "goal" was stated as "rebuilding our alliances," but included the creation of something he called the Shared Security Partnership Program, something smelling much like the Wellsian coalition of democracies.

Is Governor Rendell Returning to His Senses?

July 14 (EIRNS)—Pennsylvania Gov. Ed Rendell (D) used his inaugural speech as chair of the National Governors Association today to call for a federal capital budget to fund the estimated \$1.6 trillion in infrastructure repairs the nation needs. The work must be done to prevent the country from becoming a "third rate" economic power, he said.

This is not the first time that Rendell has called for a capital budget for infrastructure. He did so as a member of a commission appointed by President Bill Clinton in 1992, while he was Mayor of Philadelphia. But in recent years he has lent his support to the Mussolini model of public private partnerships, and has been trying, unsuccessfully, to lease out the Pennsylvania Turnpike. Earlier this year, he joined Michael Bloomberg's corporativist pusher, Building America's Future.

According to Reuters, in his speech to the governors, Rendell also mentioned PPPs, and imposing tolls on roads that are currently free, as means of raising funds for infrastructure repair (e.g., Interstate 80 across the state). But, Rendell, a backer of Hillary Clinton during the primaries, said the establishment of a federal capital budget was the best way of ensuring the work gets done, and argued the repairs should not be paid for out of current expenditures. "It's the best way to get our economy juiced, and in my opinion far better than giving people a \$600 rebate check," he said.

Rendell said U.S. spending on infrastructure such as roads, bridges, and passenger rail is only 0.6% of Gross Domestic Product, compared with 9% in China, and 3.5% in the European Union.

Obama Losing Support Despite McCain's Weakness

July 13 (EIRNS)—A *Newsweek* poll of voter preferences in the Presidential contest, taken July 11, shows Democrat Barack Obama with 44% and Republican John McCain with 41%, compared to a poll three weeks ago, showing Obama at 51%, and McCain at 36%. Another poll, Rasmussen Reports, which is published daily, shows the candidates dead even for two days this week. Polls are put out to make opinion, not measure it, but these numbers cohere with political reports received by *EIR*.

McCain shook up his campaign at the end of June, after a memo from advisor Steve Schmidt, who ran Gov. Arnold Schwarzenegger's re-election campaign in California. Schmidt was promoted, and the memo addressed at least two serious concerns: McCain better say something on the economy or he will badly lose; and the GOP better step up its attacks on Obama. So far, the McCain campaign has done nothing on either front, except promote Schmidt. Rather, it's Obama who is sinking himself.

Ibero-American News Digest

[Kirchner Loses Tax Vote Battle, But Not the War](#)

[Go for the PLHINO, Governors Tells Mexican President](#)

[British Provocateurs Snap at Heels of South American Integration](#)

[Dominican Republic President Demands Regulation To Slam Speculators](#)

Kirchner Loses Tax Vote Battle, But Not the War

July 18 (EIRNS)—Several hours after the government's export tax bill was defeated by a single vote in the Senate on July 17, Argentine President Cristina Fernández de Kirchner spoke in the province of Chaco to reassert her government's mission—much to the dismay of the British-backed opposition, who want surrender.

"We can look you in the eyes, and say that we have never betrayed [our principles]," she said. "Our path, which fundamentally is to represent the interests of those who have least, is unrenounceable." In the course of building Argentina, sometimes you affect certain interests, she said. There are those who "perhaps haven't understood what we told people last October [during Presidential elections]. Well, perhaps they will understand later, because it takes some people longer to understand. What's important is that different Argentines ... are capable of uniting behind a common mission and walk together."

The export tax was the pretext chosen for the months-long agro strike, but as former President Néstor Kirchner told a group of intellectuals on July 14, the strike was never about export taxes; it was an offensive to "force Cristina out of the government," to overthrow her in a coup. The same cast of oligarchical characters and institutions involved in overthrowing Juan Perón in 1955 and Isabel Perón in 1976, he said, are mobilized against Cristina Fernández today.

Organizing outside the Congress, the LaRouche Youth Movement (LYM) reports that people were asking, "How did the opposition get so strong? How did they win [in the Senate vote]?" The LYM reply was: It's the British, operating from *outside* Argentina. That's the source of the opposition's "strength," nothing else.

Had it not been for outright thuggery made against pro-government legislators, the bill probably would have passed. Agricultural leader Alfredo DeAngelis, a Maoist who claims to represent small farmers, threatened legislators that if they voted up the bill, they wouldn't be able to return to face their districts, for fear of being attacked. Goon squads deployed in several locations to harass Congressmen and their families, even threatening some with death.

In this environment, the tie-breaking vote for the British Empire faction was cast against the bill by turncoat Vice President Julio Cobos, now dubbed by the oligarchic opposition as "Saint Cobos."

Out to eradicate the nation-state itself as a form of government, the British have no intention of letting up the pressure. The London *Economist*, *Financial Times*, *New York Times*, and Bloomberg News are not pleased that Fernández de Kirchner has shown no signs of accepting their dictate that she must now govern by "consensus" with the opposition, which would set her up for final overthrow.

Go for the PLHINO, Governors Tells Mexican President

SONORA, Mexico, July 18 (EIRNS)—The political momentum for construction of the tri-state water management project known as the Northwest Hydraulic Plan (PLHINO) as the answer to Mexico's food and employment emergencies, took a giant step forward this week, when a major meeting sponsored by Mexico's National Conference of Governors endorsed the PLHINO as vital for securing food sovereignty for Mexico.

Gov. Eduardo Bours of Sonora, who currently heads the governors association, put the PLHINO on the agenda in his remarks closing the July 15-16 National Forum on Federalism and Decentralization. The Mexican people want the federal government to resolve the problems of poverty and food, which means planning important works such as the PLHINO, which can open up land for cultivation, increase grain production, and generate employment for peasants, Bours elaborated.

A call for initiating the PLHINO was then included among the resolutions adopted by the meeting as a whole, attended by four state governors and representatives from more than 20 other states. These resolutions will be brought before the full National Governors Conference when it meets in Sonora in September.

"The principle of food sovereignty" must be recognized as the premise for agriculture policies, and national production promoted through "long-term projects of great vision," such as the North West Hydraulic Plan, the forum concluded. The resolution reports that the PLHINO would increase land under cultivation in the Mexican northwest by more than 800,000 hectares for new crops, generate 2,700 megawatts/hour of electricity, and allow imports of corn, wheat, and sorghum to be cut by between 30 and 45%.

British Provocateurs Snap at Heels of South American Integration

July 15 (EIRNS)—British stooges are working both sides of the "street" in Central and South America, to try and keep the empire's Opium War going.

So far, the Colombian and Venezuelan governments are sticking to their historic, July 11 agreement to work together on an audacious program of building regional rail and waterway infrastructure projects to expand their economies, and increase food production. The agreement, sealed following the Colombian government's devastating blows to the narcoterrorist FARC, opens what U.S. statesman Lyndon LaRouche identified on July 8 as a "revolutionary opportunity" to defeat the British Empire's Opium War against the Americas (see last week's *EIR* Online).

Within hours of President Alvaro Uribe's return from his summit with Venezuelan President Hugo Chávez, Colombian Defense Minister Juan Manuel Santos expressed public skepticism that Chávez would stick to the deal. It was not the first time in the past year that provocative statements by the defense minister—with his own Presidential ambitions—blew up regional cooperation, just as it was being reestablished. The Santos family ties to the Anglophile wing of U.S. intelligence go back to the days of the notorious Dulles brothers.

Chávez blew up, and said the whole deal was off, unless Uribe brought his minister into line. A brief but sharp policy statement quickly released by the Colombian Presidency, reiterated that Colombia's policy is to "advance in a new era of relations" with its neighbor, and all government spokesmen exercise "prudence, to not affect this path." That statement was accepted by Chávez.

Meanwhile, Nicaraguan President Danny Ortega is busy trying to save the FARC, and keep Colombia and Ecuador at loggerheads. Ortega told a crowd of supporters on July 16 that he accepts the request of "our brothers in the FARC," that he sit down with the FARC leadership to discuss how to bring about "peace" in Colombia—a de facto granting of belligerent status to the London-sponsored FARC, which otherwise is on the ropes, militarily and politically.

Ortega's FARC gambit followed on the heels of his provocative deployment into Ecuador on July 14, where he urged Ecuador *not* to restore relations with the Uribe government in Colombia, blustering that if Colombia wished to break relations with Nicaragua in response, all the better.

Dominican Republic President Demands Regulation To Slam Speculators

July 15 (EIRNS)—We Presidents must demand action against the speculators who are responsible for the continuous and systemic rise in the cost of petroleum, President Leonel Fernández of the Dominican Republic told the V Petrocaribe Summit in Venezuela on July 13. He charged that "casino capitalism" and stock market betting are the greatest force destabilizing the world economy today.

He pointed to the fact that the number of oil futures contracts circulating today is ten times greater than the actual amount of oil available in the world. Without regulation, someone can buy what they never are going to receive, and someone is selling petroleum that they don't have, "and they are making money on both sides.... What is happening is a real abuse on a world scale; what is happening is an outrage, and we think that this abuse must be highlighted, pointed out, denounced."

International oil futures markets must be regulated, and the margin requirements on these contracts raised from the current 6% to 50%, he demanded.

The 17, mostly small nations participating in Petrocaribe, an oil cooperation agreement founded by the Venezuelan government of President Hugo Chávez, included an "exhortation" to Wall Street and London to take measures to limit speculation, in the declaration issued at the end of their July 13 summit.

Without changes in the international system, these nations have no room to maneuver. On July 17, Fernández delivered a nationwide radio and TV address to inform the population of new measures to deal with "the devastating effects of the economic hurricane which is pounding the world at this time." Without calling for changes in the system itself, Fernández was left to outline austerity measures, and attempts at ameliorating them for the worst-off, which won't work.

Western European News Digest

Italy Might Refuse To Ratify Lisbon on Schedule

Sarkozy Infuriates the Irish

Belgium Break-Up Scenarios Back on the Front Burner

Switzerland Conducts Three Investigations of BAE

EU Offers Money to Fishermen ... To Stop Fishing

Bricks Falling on Spanish Construction Speculators

Italy Reverses Policy: Decides to Go Nuclear!

Italy Might Refuse To Ratify Lisbon on Schedule

July 17 (EIRNS)—Despite massive pressure, the Italian Parliament might refuse to ratify the Lisbon Treaty. The Foreign Affairs Committee of the Chamber of Deputies is inclined to postpone decisions on the subject at least until September, a committee source told *EIR* today. This is the result of a hearing, which took place yesterday, with Prof. Giuseppe Guarino, a highly regarded constitutionalist and a critic of the Treaty. If confirmed, such a decision is a slap in the face to the European oligarchy and its lackeys, who ensured that Italy would ignore the result of the Dublin referendum and ratify the Lisbon Treaty "within July."

Guarino, a professor of constitutional rights at the Rome university and a former minister in two national governments, has published a book on the Lisbon Treaty, which calls for not ratifying the Treaty as anti-constitutional.

Sarkozy Infuriates the Irish

July 17 (EIRNS)—Hints that French President Nicolas Sarkozy would use his visit to Dublin July 21, to pressure Ireland to have a second vote on the Lisbon Treaty, and have it as soon as possible, has infuriated the Irish—including those who voted "Yes" to the Treaty, but, like those who voted against it, feel mistreated by the arrogant Continental European leaders, in the wake of the referendum.

Last night, Irish Foreign Minister Michael Martin told Sarkozy, who is also this semester's EU president, via the Irish media, that the people of Ireland have voted, and that their vote has to be respected, instead of giving them lectures from abroad. Martin said that his government clearly told the other EU leaders at the recent Brussels summit that Ireland needs some time to work out a strategy for what to do after the referendum, and that Ireland does not want to be put under pressure to vote again, "on a treaty that is already dead, actually."

Belgium Break-Up Scenarios Back on the Front Burner

July 11 (EIRNS)—After the earlier examples of corridors connecting exclaves Danzig and Srebrenica with Prussia and Bosnia respectively, a new debate on the foolish idea of a "corridor" connecting the Belgian capital Brussels with Wallonia is once again heating up the dangerous fantasy of a break-up of Belgium. While nobody knows who launched the idea in the first place, the French-speaking president of the Belgian Senate Armand De Decker pulled out a detailed army map

indicating the "corridor" to the Flemish-speaking head of the House of Representatives Herman van Rompuy. Both are involved in the recently renewed discussions on institutional reform of the Belgian state. Once again, the "debate" is propaganda aimed at consolidating "post-Belgium thinking." The corridor, whose center is a simple path running through the Forêt de Soignes south of Brussels, supposedly would establish the required "territorial continuity" between Brussels and Wallonia, a prelude for a "velvet divorce" between Flanders and a Wallonia including Brussels.

Switzerland Conducts Three Investigations of BAE

July 11 (EIRNS)—Switzerland's law enforcement authorities announced July 10 that it has no less than three criminal investigations against BAE Systems, Great Britain's leading defense contractor.

"In the case of BAE Systems, the public ministry of the confederation has opened three criminal investigations over money laundering," said Jeannette Balmer in a statement received by AFP. According to Balmer, the probes are a result of alerts by Switzerland's Money Laundering Reporting Office, but gave no further details according to a report by AFP. Up until now the Swiss have only mentioned one investigation.

EIR has exposed the fact that BAE, through its huge arms sales to Saudi Arabia, amassed a huge slush fund worth hundreds of millions of dollars through transferring bribes to its chief Saudi agent, Prince Bandar. Transferred through the latter's bank accounts in the United States, these funds were used to finance British Intelligence special operations all over the world, including the United States. These bank accounts are now under the investigation of the U.S. Department of Justice because the DOJ believes BAE was illegally using the American banking system for money laundering.

BAE Systems has also been investigated by Britain's Serious Fraud Office for its operations in the Czech Republic, Romania, Chile, Qatar, South Africa, and Tanzania. The Swedish Authorities have opened their own probe into BAE for bribe making.

EU Offers Money to Fishermen ... To Stop Fishing

July 17 (EIRNS)—In yet another cynical decision on "aid," the EU Commission announced yesterday it will grant subsidies to fishermen to "compensate" for some of the most recent price increases of fuel. The money, Eu2 billion in total, will be taken from the fisheries fund of the EU and spread over several years. An "instant" aid of 600 million euros for the fuel (a sum which is way too small), however, will not be paid before early 2009, and a good part of the balance of the 1.4 billion euros will be spent to get fishermen to quit their jobs and do something else. Some of the money will be given to fishermen who can present what the EU Commission calls a "convincing option to modernize their vessels."

In a related attempt shut down Europe's real economy, the EU Commission insists that the Polish shipyards should pay back the funds they received from their government, or that Warsaw pay a fine to the EU for "violation of market rules." The Commission offered to postpone the planned measures against the shipyards, if Polish President Lech Kaczynski signs the ratification of the Lisbon Treaty, Polish media reported yesterday.

Bricks Falling on Spanish Construction Speculators

July 17 (EIRNS)—More facts on the Spanish housing bubble are making it into Europe's mainstream press now, and although most articles try to blame the July 14 bankruptcy of Martinsa Fadesa, the biggest real estate development bank in Spain, on the excessive business practices of its CEO Fernando Martín Álvarez, also known as "*el rico del ladrillo*" (the rich man of bricks), the fact is that highly speculative pattern is there everywhere in this sector in Spain.

For example, Francisco Hernando, another real estate mogul, has built an entire new city just outside Madrid, in the middle of the desert, and a lot of the proffered basic infrastructure, like the water supply, is not completed. The city was meant to house 40,000 tenants, but only a few hundred are living there now. And, there are many places in Spain where the prospective tenants of newly built, huge housing complexes would have outnumbered the population actually living there in their village or town.

Italy Reverses Policy: Decides to Go Nuclear!

July 12 (EIRNS)—Reversing a disastrous 20-year-old policy, the Italian government plans to start building nuclear power stations before the end of the current legislative session in five years, in order, eventually, to provide one-fourth of national energy consumption through nuclear, said Adolfo Urso, Undersecretary of State for Economic Development, speaking at a national environmentalist conference in Rome on July 11. In order to achieve the 25% target, 12 plants of 1 GW each will be built, said Giuseppe Zampini, CEO of the Italian nuclear power plant builder Ansaldo Nucleare.

In 1987, the oligarchy organized a referendum in the wake of the Chernobyl accident, whose result was used to shut down all existing Italian plants, and bury any future nuclear program. As a result, today Italy is 80% dependent on imported oil. For decades, Lyndon LaRouche has insisted that the world must go nuclear if civilization is to survive. The most recent three to four years have seen a renaissance of nuclear energy in Asia, and its beginnings in Europe and North and South America.

Russia and the CIS News Digest

Russians Discuss LaRouche, New Financial Architecture

Russia-India-China Dialogue on New Financial Institutions

Russian Officer: U.S.-Russian Relations at a Low Ebb

Russia Renews Call for Security Belt Around Afghanistan

Russians Discuss LaRouche, New Financial Architecture

July 19 (EIRNS)—In line with President Dmitri Medvedev's calls for changing the "architecture of international economic relations," heated debates are under way in Russia over what a new system should look like. There is much attention to the notion of elevating the ruble to regional reserve-currency status, to the possible denomination of the energy trade in rubles, and related measures. At the same time, the name of American economist Lyndon LaRouche and the idea of a New Bretton Woods, which has been closely associated with LaRouche for the past decade, are coming up in the public discussion, thus pointing toward a more profound type of change. The forthcoming release of a Russian translation of LaRouche's article "Free Trade vs. National Interest: The Economics Debate About Russia" (*EIR*, July 4, 2008), beginning next week, will draw even more attention to LaRouche's comprehensive solutions.

The G-8 summit in Japan failed to address the critical agenda items of food, energy, and "the onrushing economic crisis," wrote the leading Russian economics weekly *Expert* July 14, because major decisions cannot be taken on these matters without the participation of China, India, and Brazil (i.e., with Russia, the so-called BRIC grouping). Prominent TV journalist Mikhail Leontiev, who has previously compared international finance to a pyramid scheme, said in a July 14 commentary for KM.ru that the only one of the G8 leaders who even came close to giving an adequate evaluation of the

world financial crisis was Medvedev.

What Medvedev was talking about," said Leontiev, "was a new configuration of world finance. Really, he was raising a New Bretton Woods. And, indeed, this was the basic thing that ought to have been discussed at that forum. The scale, depth, and danger of the future crisis are such that no other questions on the agenda compare with it. But, what we heard from Medvedev's negotiating partners was pathetic babble.... The food markets are bloating up. But nobody trades oil or food directly; they trade futures, derivatives, promises, and speculative paper, which are totally divorced from any real backing. The system needs to be reconfigured. And what the summit could have done, is at least to begin to talk about forming a New Bretton Woods."

Academician Sergei Glazyev, in an interview with the Rosbalt agency on July 15, upped his estimate of how much money Finance Minister Alexei Kudrin has lost by investing Russian currency reserves in dollar instruments, from \$30 billion to \$50 billion. As in his *Zavtra* newspaper interview in May, Glazyev cited the 2001 hearings he held in the State Duma, at which LaRouche was the keynote witness. "Already in 2001, at Parliamentary hearings," Glazyev recalled, "we officially warned our monetary authorities that a serious devaluation of the dollar was inevitable."

Economist Andrei Kobyakov, writing July 12 on his RPMonitor.ru website, welcomed Medvedev's "ruble as regional reserve currency" idea, which he traced back to Glazyev's proposals of the late 1990s. It won't work without a detailed plan for a payments system and close diplomatic cooperation with other Eurasian nations, Kobyakov said, but the idea could spark historical optimism and hope for a restoration of Russia's economic sovereignty.

And in the weekly *Slovo* dated July 11, Prof. Stanislav Menshikov brought in a crucial element, otherwise missing from these Russian discussions: a positive role for the United States. Under the subhead, "A New Roosevelt," Menshikov concluded an analysis of the latest crisis phenomena in the USA with this: "The well-known American economist Lyndon LaRouche forecasts the imminent bankruptcy of the banks, and calls for urgent measures to save them.... Of course, there are theoretically sound recipes for fighting the crisis, such as state investment programs to build schools, hospitals, and infrastructure, which the left wing of the Democratic Party would support. But the Bush Administration is not prepared for such radical steps, and neither is the opposition [Democratic] leadership in the Congress. The country needs a new Roosevelt, but one has not yet appeared on the horizon. There is also a need for coordinating anti-crisis actions among the world's leading nations, meaning not only the USA and Europe, but emphatically Russia, and especially China."

Russia-India-China Dialogue on New Financial Institutions

July 14 (EIRNS)—An interesting dialogue has started among the finance ministries of Russia, China, India, and Brazil, Russian Deputy Finance Minister Dmitri Pankin told the press in Moscow today in reporting on the results of the G8 conference, according to RosBusinessConsulting. Pankin referred to these nations' potential to join forces to reform the "old" financial institutions, RBC reported, and said it is even possible that these four ministries will come to a conclusion that new institutions must be created, as the old ones cannot respond to new challenges any longer.

Pankin emphasized that the global financial crisis is not over, and new problems will arise as the crisis deepens. However, he maintained the Cloud Cuckoo Land position that Russia's financial community knows how to handle the crisis; that Russia both knows which threats it faces, and had has found the methods to deal with these threats. Among these methods, apparently would be coordination between the Central Bank and the Federal Financial Markets Service to deal with the stock and financial markets. Pankin also said that Russia wants to "amend" the methods for determining shareholding at the World Bank, and that similar reforms are also being made at the IMF.

Russian Officer: U.S.-Russian Relations at a Low Ebb

July 13 (EIRNS)—A high-ranking Russian military officer, speaking to *EIR* today, indicated that no U.S.-Russian talks on missile defense had occurred since October. On the last occasion, there was still the "carrot" offered by the U.S. to allow Russian visitations on the sites, but nothing has come of even that promise. "Meanwhile, the U.S. goes and signs a deal with the Czechs and tries to ink a deal with Poland," he said. The officer also scored Secretary of State Condoleezza Rice's criticism of Russia on her visit to Georgia. "It is one thing for the U.S. to criticize Russian actions from the podium of the White House or the State Department. But it's significantly more of an affront when the Secretary of State goes to Georgia to make her comments," he said. He also noted that Georgia was spending an awful lot of money on military hardware, much more than the budget of Georgia would allow. "The U.S. is pouring a lot of cash into arming Georgia," he noted.

While Russia has not taken any dramatic measures to counter a U.S. missile deployment in Poland, which is still far from a done deal, and faces numerous hurdles before anything can actually be built, the officer noted that there is a lively discussion, especially among retired military officers, about the measures that might be taken were that to occur, such as, missile deployments or a re-positioning of air attack squadrons. More importantly, the whole debate is playing into a rather violent anti-American mood in the general population. "Some elements are even talking about giving active support to anti-American regimes throughout the world. This would really take us back to the Cold War days," he said.

Of course, this is occurring at a time when the Russian military is also in great disarray, thanks to the cost-cutting measures taken by the new Defense Minister Serdyukov, who has eliminated some of the top military leaders. Most important is, of course, the Chief of Staff, who for many years was General Baluyevsky. "The Chief has to have a detailed knowledge of all the areas of defense technology, missiles, air defense, ground forces, etc. There are not an awful lot of individuals with that kind of expertise to choose from," he said. The appointments that will be made, will, therefore, be critical.

In discussing the "British problem," he pointed to the fact that many of the Chechen insurgents who had been apprehended by the Russians were traveling on British passports.

Russia Renews Call for Security Belt Around Afghanistan

July 12—Russian Ambassador to the UN Vitali Churkin renewed the Russian call for setting up a "security belt" around Afghanistan to block the international opium trade. This proposal, to stop both the drugs themselves and the money used to finance both the drug trade and terror operations, was already put forward by Russia at the summit of the Shanghai Cooperation Organization (SCO) in Bishkek, capital of Kyrgyzstan, in August 2007. Afghanistan is surrounded by member nations of the SCO—including China—and SCO observers Pakistan and Iran. Churkin made this proposal to a meeting of the UN Security Council on Afghanistan on July 9, saying that these measures would deprive "drug barons and terrorists of their financial basis." Churkin called for utilizing the demonstrated capabilities of regional organizations, including the SCO and the Collective Security Treaty Organization (CSTO) of former members of the Soviet Union, in this battle against the drug trade.

An example of what can be done by international cooperation, Churkin said, is the "Channel" anti-drug operation, conducted by the CSTO in cooperation with China, Iran, the United States, and European countries. Some African countries have also joined. "Channel," in operation since 2003, seized more than 28 tons of drugs in 2007 alone, he said. Churkin said that Russia thinks it necessary "to develop practical cooperation between the CSTO and NATO in the sphere of anti-terrorist and anti-drug operations, which would help to increase results of efforts by the International Security Assistance Force operating in Afghanistan."

Southwest Asia News Digest

Turkey at Center of Regional Diplomatic Efforts

Turkey and Iraq Sign Strategic Cooperation Agreement

Strategic Iran-Pakistan-India Pipeline Meeting in July

Despite War Threat, Iran Strengthens Ties with China, Russia

Iranian Signals on Nuclear Negotiations Seen as Serious

Israel-Lebanon Prisoner Exchange a Step Forward

Turkey at Center of Regional Diplomatic Efforts

July 18 (EIRNS)—Turkey appears to be at the center of extraordinary regional diplomatic activity aimed at preventing a new war and establishing peace in the Middle East with some real hints of U.S. involvement. Bearing in mind that for many months, Turkey has been playing a the role of mediator in exploratory peace talks between Israel and Syria, and only last week, signed what Turkey and Iraq have called an historic strategic security agreement, now Turkey could play a role in mediating between Iran and the United States.

Turkish Foreign Minister Ali Babacan announced yesterday that Turkey wants to help mediate between the United States and China, Russia, France, Britain, Germany, and Iran over the latter's nuclear program. He cited the fact that Turkey is playing a mediating role between Israel and Syria.

Babacan made this statement on the same day that U.S. National Security Advisor Stephen Hadley was in Ankara. While the latter made no public statement on Iran, it was widely noted that today Iranian Foreign Minister Manoucher Mottaki will be in Ankara for meetings.

"Turkey is ready to do whatever the parties expect it to do. Indeed, we have been in intensive contact over the past month," Babacan said, as quoted in today's *Zaman* daily. "We want this issue to be handled through dialogue."

Babacan had met with his Iranian counterpart during the G8 meeting last week in Kuala Lumpur, and is expected to go to Tehran for the upcoming ministerial meeting of the Non-Aligned Movement on July 28-29.

Also yesterday, Mottaki was in Damascus holding talks with Syrian Foreign Minister Walid al Moallem. Among the issues discussed were Lebanon, Syrian-French relations, and the Syrian-Israeli talks which will lead to the return of the Golan Heights to Syria. Commenting on the latter at a joint press conference with his Syrian counterpart, Mottaki said, "The Golan is part of Syria and should be returned, and the Arab and Islamic nations are waiting impatiently for celebrating the liberation of the Golan." He also said that Iran has been cooperating with Syria and Turkey in support of stabilizing Iraq.

Meanwhile, Israeli Infrastructure Minister Benjamin Ben Eliezer was also in Turkey yesterday, where he told a press conference that Israel would defend itself against any Iranian attack. He also said that Iran's nuclear program is more of a danger to Europe than to Israel. He also met with Babacan, thanking him for his efforts at mediating talks between Israel and Syria, adding that peace was necessary because a military solution is no longer the answer.

Turkey and Iraq Sign Strategic Cooperation Agreement

July 12 (EIRNS)—Turkey's Prime Minister Recep Tayyip Erdogan and his Iraqi counterpart Nouri al-Maliki, signed an agreement in what is being called a strategic "Turkish-Iraqi axis," comparable to the Franco-German peace treaty of 1962, signed by Charles de Gaulle and Konrad Adenauer. Such an agreement could potentially overturn a very important part of the British Sykes-Picot chessboard.

Erdogan made his first official visit to Iraq July 10, and was said to have been a red-carpet treatment.

"This is a first for Turkey. We have signed no such agreement with any other country to date," Erdogan is quoted in the Turkish daily, *Zaman*, as saying about the agreement, which calls for the creation of a high-level council for "strategic cooperation." Ministers for security, energy, trade, investment, and water resources will sit on the council and meet at least once a year to review progress. "A similar deal has been signed between France and Germany," Erdogan told reporters.

Barham Saleh, the Iraqi deputy prime minister said the agreement is "significant enough to change the entire Middle East" and would create a "Turkish-Iraqi axis."

One of the key projects is a proposed gas pipeline to be built alongside the existing oil pipeline from Kirkuk, in northern Iraq, to the Turkish Mediterranean port of Yumurtalik. The gas could then be pumped into the proposed Nabucco pipeline and transported to Europe. Commenting on the project, Erdogan said, "We are not talking about economic relations here. We are actually going into economic integration with Iraq."

An agreement was also signed to allow the Turkish Petroleum Corporation (TPAO) to explore for oil and gas in Iraq. Erdogan suggested that the TPAO could cooperate with Japanese companies in this field. Turkish construction companies are also expected to expand operations in Iraq, which are already considerable.

The agreement calls for security cooperation as well, by which the Turks could aid in training Iraqi police and military personnel.

As for the situation in the Kurdish region, increased cooperation is developing between Turkish and Iraqi security forces in suppressing the terrorist Kurdish Workers Party (PKK), which uses Kurdish Northern Iraq as a refuge. Erdogan also met with Iraqi President Jalal Talabani, who is an ethnic Kurd.

Strategic Iran-Pakistan-India Pipeline Meeting in July

July 17 (EIRNS)—India, Pakistan, and Iran are expected to meet later in July in Tehran, on developing the Iran-Pakistan-India gas pipeline project, the Pakistani *Daily Times* reported. India renewed its interest in the project after the Pakistani elections in March, and Indian Petroleum Minister Murli Deora went to Islamabad for talks on the IPI and Turkmenistan-Afghanistan-Pakistan-India pipelines.

On July 17, the Pakistani Steering Committee for the pipeline project will meet to discuss the gas transit fee to be paid by India, which has been a matter of dispute. They have already approved a draft Gas Sales Purchase Agreement (GSPA) with Iran. The project should benefit the Pakistani economy by some \$2 billion.

Despite War Threat, Iran Strengthens Ties with China, Russia

July 14 (EIRNS)—Under continued threats of military strike from the United States and Israel, Iran has moved quickly to consolidate its ties with China and Russia. In Beijing, after delivering a letter from President Mahmoud Ahmadinejad to Chinese President Hu Jintao, visiting Iranian Deputy Foreign Minister for Legal and International Affairs Mohammed Ali

Hosseini, in a meeting with Chinese Assistant Foreign Minister Zhai Jun on July 14, called for expansion of Tehran-Beijing cooperation in all areas. Hosseini said there is a bright prospect for Iran-China economic cooperation.

On July 13, National Iranian Oil Company (NIOC) and Russia's Gazprom signed an agreement on development of Iran's oil and gas fields. The agreement was signed in Tehran during an official ceremony attended by the Iranian Oil Minister Gholam-Hossein Nozari and several officials from the Oil Ministry and NIOC. The accord was inked by the NIOC managing director Seifollah Jashnsaz and Gazprom Management Committee chairman Alexey Miller.

The agreement envisaged boosting recovery rates of Iran's oil fields and Russian help in transferring Caspian Sea crude oil to the Oman Sea. The cooperation agreement also included possible participation of Gazprom in the planned peace pipeline that would deliver Iranian gas to India and Pakistan. Indian and Pakistani foreign ministers will be in Tehran on July 29-30 to formally sign an agreement with the Iranian officials.

Iranian Signals on Nuclear Negotiations Seen as Serious

July 16 (EIRNS)—Two European-based scholars on Iran, Anoush Ehteshami from the University of Durham (U.K.), and Riccardo Redaelli from the Catholic University of the Immaculate Conception in Milan, are in Washington, D.C., for a week-long schedule of briefings and seminars sponsored by the Stanley Foundation. The two spoke on July 15 at the Carnegie Endowment for International Peace, where both warned in very stark terms that wars are easy to start, but cannot be contained once they begin. Ehteshami, the author of several on Iran since the early 1990s, said that while it is impossible to forecast the next five-six months' developments, it is first it is necessary to successfully get through this week. He said that the prisoner-exchange between Hezbollah and Israel is a very important step and reflects a further desire by Iran and Hezbollah to peacefully join the international community. He also revealed that a recent poll in Iran shows that the Iranians are tired of the tensions and war, and of the 35,000-person sample of the population, only 12% wanted to reject the UN Security Council's 5+1 negotiations, while about 70% either favored the deal as it is or favored accepting the deal with some modifications; those polled don't see the 5+1 offer as an assault on Iran's sovereignty.

Redaelli, who has frequently travelled to Iran in recent years, stressed that the recent signals from former Foreign Minister Velayati, a very senior revolutionary figure, close to Supreme Leader Khamenei and Foreign Minister Mottaki, that Iran may be open to pursuing the deal, must be responded to—especially by the U.S.—with utmost seriousness. He said that he has had recent discussions with top leaders, including clergy from the Conservative bloc, who indicate that they might be willing to compromise on the enrichment issue, but they totally distrust the Bush Administration, which they believe will just ask for more and more concessions, such as giving up missiles and air defenses. Redaelli urges "selective diplomacy," not an immediate "Grand Bargain," and suggested that one important convergence of interest between the U.S. and Iran is deeper cooperation on the anti-narcotics front. Redaelli is well aware of the interface between terrorism and dope trade.

Israel-Lebanon Prisoner Exchange a Step Forward

July 16 (EIRNS)—The exchange between Hezbollah and Israel of captured and imprisoned individuals took place as scheduled today. The bodies of two enlisted Israeli Defense Forces soldiers—Ehud Goldwasser and Eldad Regev—whose capture at the Israel/Lebanon border in 2006 led to the Israeli war on Lebanon, were returned to their families. On the Israeli side, Israel handed over five Lebanese prisoners, and the remains of 200 Hezbollah fighters who had been killed by Israel in the last decades—many of them not yet identified.

A lot of media attention is being given to the grief of the Israeli families, who believed until the deal was finalized that the soldiers were alive. But the media circus and "soap opera," can only serve to inflame further hatred and bitterness. The father of Eldad Regev insists that the exchange was the right move, and many Israelis want to reach a similar agreement with Hamas. The only effective option is to move forward with the principles of the Peace of Westphalia. The right-wing

warmongers are already saying that Prime Minister Ehud Olmert should be ousted because of this deal, and that the release of the five Lebanese prisoners, four of them from Hezbollah, just "encourages" further terrorism.

Asia News Digest

Afghan Drugs: A \$150 Billion International Business

Has Britain Reactivated the Independent Kashmir Agenda?

Pakistan-Afghanistan Border Situation Worsens

Karzai Accuses ISI of Role in Kabul Terrorism

Pakistani Military 'Ready for Anything'

More Basic Production Cutbacks in China and Japan

Afghan Drugs: A \$150 Billion International Business

July 13 (EIRNS)—Zaid Hamid, security expert and head of the Pakistani think-tank, BrassTacks, told Turkish news agency Adnkronos International (AKI), that several players were involved in the game of drug trafficking, and that the collusion of Afghan officials was crucial. "The total drug economy of Afghanistan is estimated to be \$150 billion out of which only \$1 billion returns to Afghanistan," Hamid told AKI. "The rest is laundered through the international banking system which indicates that several other players are involved in the game of drug trafficking and the receipts to the Afghan insurgency are very small."

Hamid said that Russian and Chinese anti-narcotics forces had recently told their colleagues in Pakistan that the flow of drugs from Afghanistan into their respective countries had reached a crisis. "They are facing a crisis-like situation. The figures provided to Pakistan suggested the majority of the drug smuggling is taking place through northern corridors" a non-Taliban area.

"These routes linked Afghanistan to Central Asian states, Afghanistan to Russia and from the Afghan province of Badakshan to Tajikistan and to China. The third route is coming from Afghanistan to Pakistan to the U.A.E. (United Arab Emirates) through the Arabian Sea," Hamid said.

Has Britain Reactivated the Independent Kashmir Agenda?

July 18 (EIRNS)—Having met with a great deal of success in energizing a separatist movement, with the help of a faction of Pakistani ISI (Inter-Services Intelligence), in the western wing of Pakistan bordering Afghanistan, there are reasons to suspect that another agenda of the British for the Subcontinent—an independent Kashmir—has also been re-activated. In this effort the Pakistani ISI has extended a helping hand. New Delhi and Islamabad launched a peace process in 2004 to resolve all pending disputes, including the one on Kashmir, but with the weakening of Islamabad's authority, due to the Afghan War and the MI6-ISI led efforts to break up Pakistan, the peace process has lost its way.

Twenty people, including three security personnel, were injured by a blast at a busy bus station in Indian-administered

Kashmir, police said on July 18. The incident took place in the town of Banihal, about 120 kilometers (74 miles) south of Kashmir's summer capital Srinagar, a police spokesman said.

Meanwhile, on July 18, veteran Kashmiri leader and British asset, Syed Ali Gilani said that Kashmiri Muslims will continue their freedom struggle against India at all costs, whether Pakistan supports them or not. The Kashmiris have said they will not accept any solution to the dispute without having the right to self-determination as guaranteed by UN resolutions.

Pakistan-Afghanistan Border Situation Worsens

July 18 (EIRNS)—On July 17, the front person of the British MI6-Pakistani ISI-led efforts to create an independent nation as a buffer between Pakistan and Afghanistan, and leader of the Pakistani Taliban (TTP), Baitullah Mehsud, told a provincial government to resign within five days or "prepare to face the consequences".

"The NWFP government is not sincere about restoring peace; rather it is responsible for lawlessness in the tribal areas, Hangu and Swat, TTP spokesman Maulvi Umar quoted Baitullah as saying on July 17. The TTP spokesman told the Pakistani daily *The Dawn* that the Taliban reserved the right to take action against the provincial government if it did not resign in five days.

At the same time, Pakistan's Aaj TV said that U.S. Secretary of Defense Robert Gates has warned that the U.S. can conduct unilateral strikes inside Pakistan if it [Pakistan] does not take measures to stop Taliban activities. It is widely acknowledged that if the U.S./NATO forces in Afghanistan deal with Pakistan as an enemy, the entire region will become engaged in wide ranging conflict.

Pakistan's Prime Minister Yousuf Raza Gilani is scheduled to visit Washington next week. While there is no doubt that border violations and build-up of NATO forces along the frontier will be discussed with U.S. authorities during the Prime Minister's visit, some observers believe that President Bush will read him riot act, and ask him to allow U.S./NATO-led attacks inside Pakistan.

Karzai Accuses ISI of Role in Kabul Terrorism

July 16 (EIRNS)—Afghan President Hamid Karzai has accused the Pakistani ISI of involvement in the recent terror attacks in Afghanistan, including on the Indian Embassy in Kabul. Karzai made the statement July 14, the same day that Indian National Security Adviser M.K. Narayanan had said that India has "pretty good evidence" of ISI involvement in the bombing. Karzai said that the attacks in Afghanistan were "carried out by the intelligence administration of Pakistan, its military intelligence institutions." The Press Trust of India reports today that cable TV operators in Pakistan's North West Frontier Province are now blocking Afghan channels, including the state-run TV, after Karzai's statement. The Afghan channels are watched by the some 2 million Afghan refugees in the NWFP.

President George Bush said that the U.S. will "investigate" Karzai's allegations about the ISI. "First of all, we'll investigate his charge and we'll work with his service ... to get to the bottom of his allegation," Bush told reporters in Washington.

Pakistani Military 'Ready for Anything'

July 16 (EIRNS)—The independent Pakistan *Daily Times* today reported that the Pakistan Army was gearing up for "any eventuality" in the Northwest Frontier Province, amidst reports that hundreds of NATO troops had been airlifted to the region and are massing on the border from Afghanistan. The *Daily Times* published a detailed map of the area, showing the

point of the reported NATO buildup.

The daily quotes "officials" saying that, "The coalition troops have started to strengthen their positions after setting up camp in the border areas adjacent to the Pak-Afghan border and U.S. helicopters have been spotted hovering over target areas as support." It also quotes villagers who had seen helicopters transporting NATO troops and equipment. The *Daily Times* cites officials who report that the Pakistan Army deployed along the Pak-Afghan border has been placed on high alert. However, NATO spokesmen said that there is no question of troops entering Pakistan. "Our mandate stops at the border," Capt. Mike Finney said, saying there is some "extra activity" on the border after the deadly battle on July 13.

More Basic Production Cutbacks in China and Japan

July 14 (EIRNS)—China has now ordered zinc and lead smelters to cut output by 10%, as they did with aluminum last week. This is intended to save energy and avoid shortages, especially through the Olympics, which starts early August and is to last through September. China is the largest producer of these metals.

In Japan, chemical makers are reducing output to stop a drop in profits caused by the out-of-control crude oil prices. Mitsui Chemicals, which has already closed one of three plants that makes the raw material for synthetic fiber, has decided to suspend operations at another one intermittently for a total drop in production of 40%. Mitsubishi Chemical Corp. has cut the production of vinyl chloride by 30%. And, Asahi Chemical has cut the production of polyethylene resin used in plastic bags by 5%.

Africa News Digest

China Is the Target of the British Anti-Sudan Campaign

Bashir's Would-be Prosecutor Wants To Indict Everyone

China Is the Target of the British Anti-Sudan Campaign

PARIS, July 16 (EIRNS)—The Beijing correspondent of France's *Le Figaro* reports that China, which gets two-thirds of its oil from Sudan, yesterday expressed its "grave worries" and "doubts" about the decisions of the International Criminal Court to call for the prosecution of Sudan President Omar al-Bashir. The paper reports that "China is regularly accused, especially by so-called human rights organizations, of aggravating the Darfur crisis by selling weapons to Sudan, for which it is the main weapons supplier. Yesterday, China's special envoy to Darfur blasted the British Broadcasting Corp., accusing it of airing "misleading" reports. The BBC had claimed on July 14 that China was training the Sudanese "to pilot Chinese warplanes."

Le Figaro infers that the origin of the ICC attack on Bashir is Britain's frustration over having failed to oust President Robert Mugabe in Zimbabwe, and reports that the current crisis in Sudan "occurs only three days after Beijing and Moscow administered a defeat to the Westerners at the UN Security Council by vetoing the resolution calling for sanctions against Zimbabwe," and takes place in the context of massive Chinese investments in Africa, not only in oil and raw materials, but also in building infrastructure.

Meanwhile, a new report published by the World Bank acknowledges that China's massive investments in Africa effectively contribute to reducing the continent's poverty.

Bashir's Would-be Prosecutor Wants To Indict Everyone

July 18 (EIRNS)—After being rebuffed by the African nations, among others, in his call for the arrest of Sudan's President Omar al-Bashir, Luis Moreno Ocampo, the chief prosecutor at the International Criminal Court, attempted to soften the criticism against his move by saying he would also indict rebels fighting against the Sudan government, according to yesterday's *New York Times*. Such a move would create still more chaos.

Moreno Ocampo was supported by Richard Dicker, an official of the "Coalition for the International Criminal Court" and of Human Rights Watch, both of which are run by George Soros. Dicker seems to have been assigned to keep watch over Soros's Moreno Ocampo; news articles regularly quote Dicker as the authority on what Moreno Ocampo thinks. The *New York Times* quoted Dicker as saying that the prosecutor's remarks were "important in demonstrating the impartiality of his efforts to look at all alleged crimes by all parties to the conflict. He's not just going after the government; he's going after the rebel contingents."

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[top of page](#)

[home page](#)