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**The Fraud of 'Free Trade'**  
**by Lyndon H. LaRouche, Jr.**

July 10, 2008

The following report is prompted by the immediacy of the extremely acute phase of international financial crises now looming for the interval of the U.S.A. national parties' Presidential nominating conventions. It also has the more durable relevance of being an urgently needed introduction to the little known rudiments of a competent economic science. It serves, thus, as a much needed re-education of those putatively leading economists, internationally, whose influence on policy-shaping of both governments and international private and public institutions had failed so miserably over the 1971-2008 interval, up to this present moment. Therefore, out of regard for the two-fold, respectively immediate and long-term missions outlined by the these prefatory remarks, the report now begins as follows....

**In-Depth articles from EIR, Vol. 35, No. 31**

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## Feature

- **Not Only Socialists Were Duped:**  
**The Fraud of 'Free Trade'**  
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## Economics

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**Stop Bailing and Think!**

A couple of months after the bankers and the banking regulators assured us that the worst was over, the global banking crisis is worse than ever, and the 'temporary' bailout operations are being expanded yet again.

- **Mr. Paulson's Consensual Folly**  
**by Lyndon H. LaRouche, Jr.**

'The essence of Secretary Paulson's calamitous folly in this case, is that the frantic lusting for a consensus has resulted in the design of a proposed remedy designed to defend the disease.'

- **WTO Failure in Geneva:**

## **A Success for Mankind**

The talks in Geneva of the Doha Round of the World Trade Organization officially 'ended without agreement' on July 30. The failure occurred because the WTO push for more globalization has become intolerable for dozens of the 153 member nations, representing billions of people, especially in the midst of a world food and agriculture crisis.

# International

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Vice President Cheney is in a brawl with Defense Secretary Robert Gates and other sane elements inside the Bush Administration, who say that military action against Iran would be 'catastrophic.'

- **Why Gordon Grumbles:**

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## **Organizing on the Level of the Sublime**

The seminar on July 26 in Wiesbaden, Germany, addressed the economic collapse worldwide, as highlevel institutional contacts from Europe, Southwest Asia, and Africa turned out to discuss Lyndon LaRouche's solution to the crisis.

- **Zepp-LaRouche Appeals to Nations In Time of Crisis**

Titled 'Make the Dream of the American Revolution Come True!' the Resolution by Helga Zepp-LaRouche is addressed 'To All the Nations of the United Nations and the Presidential Candidates in the American Election Campaign.'

- **Opium Money Kills U.S. Troops:**

## **Will Bush Fight Narco-Terror?**

A few among U.S. authorities in Afghanistan have begun to speak out against the dangerous compromises that the Bush Administration has made, by allowing an explosive growth of the opium crop there, and the handover of power to the drug lords.

# National

- **Maybe, Obama Is Not 'The One'**

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

'Senator Obama is not a new Adolf Hitler, of course; but, the way in which London-centered interests steered the training and selection of Adolf Hitler as a prospective leader, during the course of the 1920s, is the best known example of a certain way in which puppet-like synthetic leaders are sometimes created out of persons which would ordinarily appear to be the most unlikely types for playing such a role.'

- **'The Presumptuous Nominee'**

- **Obama Fires the Maytag Repairman**

On the Senator, the Maytag Corporation, and its largest shareholders—Lester Crown and the Crown family of Chicago—who have been among Obama's biggest backers and contributors.

# Editorial

- **August, the Month of Change**

# U.S. Economic/Financial News

## Home Foreclosures May Hit 10% of Mortgages

## U.S. Home Prices Plummet 16-28% in a Year

## Hyperinflation Zaps Electricity Sector; Cut-offs Spike

## States Slash Programs as Revenues Vanish

### Home Foreclosures May Hit 10% of Mortgages

July 27 (EIRNS)—With Speaker of the House Nancy Pelosi blocking adoption of Lyndon LaRouche's Homeowners and Bank Protection Act, record home foreclosures are piling up.

RealtyTrac reported July 26, that between April and June, 739,714 homeowners nationwide received at least one foreclosure notice, twice the level of the second quarter of last year. This is an annual rate of 3 million foreclosures. Of the foreclosures in the second quarter this year, 222,000 homes were repossessed by banks.

Mark Zandi of Economy.com told the House Financial Services Committee July 25, that there will be 5.5 million foreclosures over 2008 and 2009—making that 1 out of 10 mortgages across the nation. The Barney Frank/Chris Dodd bailout bill purports that at maximum, it would apply to 400,000 home mortgages; but that is a sideshow to cover its futile attempt to bail out the unsalvageable financial system.

### U.S. Home Prices Plummet 16-28% in a Year

July 29 (EIRNS)—Home prices in 20 major U.S. cities have fallen a record 15.8% in one year, as measured by the Case-Shiller home price index, a Standard & Poor's database. But the fall of prices in ten of those cities was much greater, ranging from 17.4% to 28% in the past year. "Prices thus are at the same levels as they were in the summer of 2004, which means four years of appreciation have effectively been wiped out," MarketWatch reported.

Here's the 20-city Case-Shiller index list of annual declines through May: Las Vegas, down 28.4%; Miami, 28.3%; Phoenix, 26.5%; Los Angeles, 24.5%; San Diego, 23.2%; San Francisco, 22.9%; Tampa, 20.2%; Detroit, 17.4%; Washington, 15.4%; Minneapolis, 14.8%; Chicago, 9.4%; Cleveland, 8%; Atlanta, and New York, both 7.9%; Seattle, 6.3%; Boston, 6.2%; Portland, 5.2%; Denver, 4.8%; Dallas, 3.1%; and Charlotte, N.C., 0.2%.

### Hyperinflation Zaps Electricity Sector; Cut-offs Spike

July 29 (EIRNS)—A triple-whammy is hitting the U.S. electricity sector, manifest as hyperinflation and worsening service. The disaster is a result of the decade-long policy of deregulation, the hyperinflation of energy fuel prices, and the inflation in the overall economy which has hit construction materials, on top of "not-in-time" repair parts, and aging of the system. The end result is measured in an increasing number of consumers unable to afford electric power.

A study released by the Energy Information Administration on July 8 projects that due to the speculative ratcheting up of

fuel prices alone—natural and gas and coal—the price of electricity in some regions could increase by as much as 30%. Overall, due to fuel price increases, electric rates are estimated to rise 5.2% this year, but 9.8% next year, when utilities are granted rate increases to cover costs. About 30 utilities have asked for fuel rate increases. The price of natural gas has risen 40%, and coal has more than doubled.

The cost of everything a utility does that requires energy—from fuel for repair crew vehicles, to manufacturing costs for components, to construction costs for transmission lines and new power plants—is skyrocketing. "Power poles are up 39% since 2003, copper wire has more than doubled" in price, an American Electric Power spokesman said. According to June testimony by the Federal Energy Regulatory Commission, since 2000, capital costs for building new generation capacity have risen from an index of 100, to 178. Primary construction costs (iron, steel, cement, etc.) have doubled.

The chickens of the late 1990s energy deregulation madness—enacted in about half of the states—are coming home to roost. Studies done comparing electric rates in regulated and deregulated states have shown that, without state regulation, rates are higher. State laws placed caps (or ceilings) on prices utilities could charge, for a number of years, to allow "competition" to develop, but when competition didn't develop, some states, such as Virginia, extended the caps, hoping for a miracle. This month, Dominion Virginia Power customers saw electricity rates rise 18%.

In fact, as price caps are lifted, increases can soar out of sight. In 2005, when caps came off the prices of Duquesne Light in Pennsylvania—one of the poster states for deregulation (second to California in enacting dereg)—prices jumped 35-60%. (The customer billing base of Duquesne Power was then bought up by Australia-based Macquarie, part of the British imperial infrastructure cartels.) Texas has seen rate increases in the double digits.

Shut-offs of service for electricity and gas customers are up at least 15% nationally, reports the National Energy Assistance Directors' Association, including 8% for households earning \$33-55,500 per year. In Pennsylvania, 7,054 customers were cut off last Winter, up 168% from the previous year; Duke Energy in North Carolina is averaging 11,000 *per month*! When this Winter hits, the numbers could be off the charts.

## **States Slash Programs as Revenues Vanish**

July 31 (EIRNS)—State and local government revenues are vanishing, leaving them scrambling for resources to keep their governments afloat.

One month into the new fiscal year, which began July 1 for all but four states, vanishing revenues are keeping elected officials busy slashing and burning programs and payrolls. At the end of June, 31 states projected over \$40 billion in revenue shortfalls—and that didn't include California, Illinois, Michigan, and North Carolina—all in big trouble. *EIR* estimates that the shortfall is easily nearing \$75 billion. State and local governments cannot cut fast enough to keep up with these lost revenues. For example, New York State announced on July 30 that its deficit had grown by \$5 billion since May 1, the start of its new fiscal year, putting its current hole at \$6.4 billion.

To balance budgets, as required by law, nearly half the states either have cut, or plan to cut programs, reduce workforces, drain rainy-day funds, or postpone capital budget projects. A few examples are: California's Gov. Arnold Schwarzenegger proposes to slash 200,000 state employees' salaries to the minimum wage; Illinois Gov. Rod Blagojevich axed \$1.4 billion in social service programs; Florida cut \$332 million from K-12 education. Ten states cut Medicaid; Nevada drained its \$267 million rainy-day fund; and Rhode Island expanded the hours casinos can stay open.

## **Global Economic News**

## Death Rattles of a System

### Australia and New Zealand: 'Worse Crisis than U.S.'

### Berlin Minister: High Heating Bills? Wear Sweaters!

### Vietnam Staggered by Inflation, Workers' Strikes

## **Death Rattles of a System**

July 28 (EIRNS)—The IMF's Global Financial Stability Report briefing opened July 28, with the relevant bureaucrat intoning:

"Global financial stability remains fragile, and *systemic risk* seems to be returning, despite the important decisions made by financial authorities and significant adjustments by financial markets in the past few months." In sum: The IMF has discovered a relationship between "the real economy" and financial markets. There is "no end in sight" to the U.S. banking crisis (the IMF calls it a "housing crisis"); in other developed countries, too, the ability of banks to raise significant capital cannot be expected to continue; and the developing sector nations are going to be "tested" next.

The "epicenter" of the financial crisis is moving to Europe and Oceania, the French bank BNP Paribas is warning, wrote the London *Daily Telegraph's* Ambrose Evans-Pritchard on July 28. Indeed, Australia's bank stocks plummeted on July 29, after top banks admitted their losses, provoking reassurances from top officials that the "local finance sector remains strong."

Such "your banks are safe" reassurances in the United States moved on July 28 from leading stories in the newspapers, onto CNN, whose "How Safe Is Your Bank?" segment delivered the same message sounded by *Business Week* the same day: People need not pull their money out just because their bank's name appears in the headlines of those in trouble.

And, yes, Virginia, if the banks collapse, so does lending. The *New York Times* estimated on July 28 that commercial and industrial loans were down *in 2007* by \$150 billion. Now, as a Wachovia executive admitted, that bank (like the others) is saying no to almost every loan request.

Meanwhile, Merrill Lynch sold \$8.5 billion of stock and liquidated \$30.6 billion of money-losing assets at a fifth of their original value on July 28—only to see its stock fall another 12%.

## **Australia and New Zealand: 'Worse Crisis than U.S.'**

July 30 (EIRNS)—The Australian and New Zealand banking systems are about to blow out, according to the *Daily Telegraph's* Ambrose Evans-Pritchard. At the center of the crisis are the problems of National Australia Bank, which wrote down \$450 million in "senior strips" of collateralized debt obligations based on U.S. mortgage debt, by 100%—i.e., to nothing—even though they were AAA-rated. Evans-Pritchard comments that no U.S. bank has admitted to such write-downs. National Australia Bank also wrote down over \$1 billion in direct holdings of U.S. mortgage debt, "an admission that its AAA-rated securities are virtually worthless."

Despite the fact that there is a global commodity price upsurge, Australia—a major wheat, grain, and minerals exporter—cannot cash in on it, because of its balance of payments crisis. This is a result of the Japanese yen carry trade:

Over recent years, cheap Japanese capital has gone into Australian assets, which pay a higher interest rate, and which now has to be paid back. Much of this went straight into real estate, which has since collapsed. Australia's current account deficit is 6.2% of GDP, and personal debt is at almost a world record of 177% of GDP.

As for New Zealand, Guardian Trust suspended withdrawals from its mortgage fund because of "liquidity difficulties in the market." Hanover Finance, the country's third-largest finance company, froze payments to investors, saying its "industry model has collapsed." So far this year, 23 other finance companies have gone bankrupt.

## **Berlin Minister: High Heating Bills? Wear Sweaters!**

July 29 (EIRNS)—Berlin Finance Minister Thilo Sarrazin (SPD), who some weeks ago advised people how to live on Eu3/day, and then supported a minimum wage of Eu5/hour, now has explained to Germans how to cut their energy consumption in the face of soaring oil and gas prices. In an interview with the *Rheinische Post*, he said that people should put on sweaters and reduce their thermostats to 15-16°C (59-61°F). "When energy costs are as high as rents, people will think about whether they cannot also live reasonably with a thick sweater at 15 or 16° room temperature."

Sarrazin also attacked the idea that poor people or Hartz IV welfare recipients should receive an extra payment. He also wants to cut completely "commuter support." If somebody lives outside of Munich and has to pay more for commuting to work, he spends less for rent than in Munich, argues Sarrazin. "There is no reason to subsidize the consumption of energy by tax means."

## **Vietnam Staggered by Inflation, Workers' Strikes**

Aug. 2 (EIRNS)—An inflation rate of 27% continued in Vietnam during the month of July, provoking strikes involving over 5,000 manufacturing workers. This was the ninth consecutive month of double-digit inflation. Hanoi raised state-controlled domestic fuel prices by as much as 36% on July 28—being forced to narrow the gap between the official price and world market prices—further squeezing the population.

Vietnamese rice farmers are in deep trouble, as inflated rice prices have fallen by nearly half since April, but fertilizer, fuel, and pesticides continue to rise, leaving farmers with no profit margin. Vietnam is the world's second-largest rice exporter, after Thailand.

# **United States News Digest**

**Rumor Control: On the Question of Hillary's Nomination**

**For Shame: 100-Year-Old Water Pipes in Nation's Capital**

**Blackwater USA Runs Private Intelligence Business**

**Is Barney Frank Seeking a New High With George Soros?**

**British Assets Try To Oust Banking Committee Chair Rangel**

**Rumor Control: On the Question of Hillary's Nomination**

Aug. 1 (EIRNS)—A report in today's New York *Daily News*, in which "a source close to" Hillary Clinton is quoted saying the Senator will not file a formal request to the Democratic Convention asking to have her name placed in nomination, is sweeping the Internet. Buyer, beware!

At the same time, a video has been placed on YouTube, and is being circulated by the pro-Hillary group PUMA PAC (Party Unity My Ass), which shows Clinton in dialogue with supporters who want her to be nominated, in which Hillary says that she thinks the party will be stronger if her delegates have their voices heard—i.e., she is nominated and that things are still being negotiated.

Bottom line: As Lyndon LaRouche has said, the decisions for the convention have not yet been made, and things could change drastically by the times it begins Aug. 25. The rules on putting a name in nomination require between 300-600 signatures (probably already gathered), and Hillary would have to submit a formal request. Such a submission need not be made until 6:00 p.m. the night before the nomination.

## **For Shame: 100-Year-Old Water Pipes in Nation's Capital**

Aug. 1 (EIRNS)—Most cities in the United States, starved of infrastructure investment for at least 40 years, if not longer, have a very high proportion of very old pipes in their water systems. Washington, D.C. is in the same, if not worse, condition—leading, on occasion, to admonitions to residents, even visitors to Congress, not to drink the tap water.

The median age of the city's 1,100 miles of pipes is 74 years, and it has 180 miles that are more than 100 years old, Jerry Johnson, the general manager of the D.C. Water and Sewer Authority, reported at a July 28 forum sponsored by the U.S. Chamber of Commerce. "A great deal of our infrastructure is very, very old and in need of rebuilding and restructuring," Johnson said. He reported that a recent sewer assessment identified \$600 million in capital needs, and a potential ten-year program of recapitalization at \$300 million per year. The problem, of course, is that the needs are much greater than the money being spent, and therefore, "we have to do this on a prioritized basis." He noted that inflation in the cost of materials, which has been running at about 8.5% per year since 2004, adds to the difficulty.

The forum on water infrastructure, held on Capitol Hill, featured panelists who accurately described the huge needs in the country for investment in water infrastructure, but offered a mish-mash of small-minded proposals to deal with it.

## **Blackwater USA Runs Private Intelligence Business**

Aug. 1 (EIRNS)—Jeremy Scahill, the author of *Blackwater: The Rise of the World's Most Powerful Mercenary Army*, notes, according to RawStory.com, that the giant mercenary firm is moving beyond the realm of security and logistics operations into intelligence. "They're marketing their services to not only foreign governments, but to Fortune 500 corporations," he recently told an interviewer. The forthcoming paperback edition of Scahill's book includes a discussion of last September's shooting spree in Baghdad by Blackwater operatives, which killed 17 Iraqi civilians, but for which no one has been charged. "Blackwater started a private intelligence company called Total Intelligence Solutions. And the man running TIS is J. Cofer Black, a thirty-year veteran of the CIA. He also was the guy who ran the CIA's extraordinary rendition program, the government-sanctioned kidnap-and-torture program."

Dick Marty, the Swiss prosecutor who investigated Dick Cheney's "extraordinary renditions" for the European Parliament, identified two companies, Presidential Airways and Aviation Worldwide Services (AWS), both subsidiaries of Blackwater USA, as flying prisoners from Abu Ghraib to Guantanamo, with illegal stopovers in secret detention centers located in Poland, Romania, or the former British colony of Malta, the last being Blackwater's operational base in the Europe. While

during that period, Blackwater also recruited some 750 former military officers from the defunct fascist Pinochet regime and its Operation Condor dirty ops, its name also popped up in the context of clandestine aid to the Kurdish terrorist outfit PKK, in operations into Turkey and Iran.

"This isn't a liberal or conservative thing," concluded Scahill. "You have a lot of traditional conservatives who are outraged at what they see as the degradation of the United States Armed Forces.... This has everything to do with the future of war-making and global stability." So far, only Sen. Hillary Clinton (D-N.Y.), in April 2008, has stated on her website, that she would sponsor a law to ban Blackwater and other Private Mercenary Corporations (PMCs) from the Iraq theater of war.

## **Is Barney Frank Seeking a New High With George Soros?**

July 31 (EIRNS)—Rep. Barney Frank (D-Mass.), the chairman of the House Financial Services Committee, held a press conference in Washington, D.C. yesterday, to announce the introduction of a marijuana decriminalization bill (H.R. 5483). The bill is entitled the "Personal Use of Marijuana by Responsible Adults Act of 2008." Attending the press conference in support of Frank were representatives of George Soros-linked organizations: Rob Kampia of the Marijuana Policy Project, Bill Piper of the Drug Policy Alliance Network, and Allen St. Pierre, executive director of the National Organization for the Reform of Marijuana Law (NORML).

Frank, who has played a leading role in blocking Lyndon LaRouche's proposed Homeowners and Bank Protection Act, and who instead has functioned as a frontman in Congress for the London and Wall Street speculators and their desperate bailout schemes, has now lent his hand to Nazi collaborator Soros's notorious drug promotion policies.

The Marijuana Policy Project receives direct funding from Soros, through the Drug Policy Foundation, which, in turn, has received more than \$15 million from Soros in recent years. The Drug Policy Foundation recently merged with the Lindesmith Center, a project of Soros's Open Society Institute tax-exempt foundation. The new entity, the Drug Policy Alliance, is run by Soros employee Dr. Ethan Nadelman. Soros has poured at least \$25 million into various dope legalization schemes over the past five years, and has vowed to substantially increase bankrolling the dope lobby efforts. The Marijuana Policy Project was launched by a former official of NORML, the oldest of the drug legalization fronts now under the Soros umbrella.

## **British Assets Try To Oust Banking Committee Chair Rangel**

July 30 (EIRNS)—In a move to crush opposition to fascist economic measures and support for any Franklin Roosevelt-type approach to the collapse of the international financial system, two flimsy scandals have been launched against Rep. Charles Rangel (D-N.Y.) to oust him as chair of the House Ways and Means Committee, the most powerful committee in the Congress, from which all revenue bills originate. The Committee is critical in any economic recovery for the United States and the world.

First appearing in the *New York Sun*, the scandals have been repeated over and over recently in the *Washington Post* and the *New York Times*.

It is widely known that Rangel is targeted for opposing the hedge fund and private equity industry, especially his legislation that would have taxed the earnings of managers of these "locust funds" at the income tax rate of 35%, instead of the "capital gains" rate of 15% that they were enjoying. Rangel's legislation passed the House by 233-189, but was blocked in the Senate. The private equity lobby's poster-boy in Congress, Rep. Eric Cantor (R-Va.), has promised to destroy Rangel with these penny-ante scandals. Rangel also reclaimed—from Dick Cheney—an office traditionally used by the Ways and



Means Committee, but which the Republicans had loaned out to Cheney, to, as he said, "gently restore the dignity of this office."

The two scandals originated in the neocon *New York Sun*, once owned by the now-jailed Conrad Black and Democrats Michael Steinhardt and Marty Peretz. On April 3, the *Sun* attacked Rangel for using Congressional stationery to solicit \$2 million toward a City College of New York (CCNY) center to encourage minority participation in government. Then, on July 14, the *Sun* exposed Rangel for renting four rent-stabilized apartments in New York City, one of which he used for a campaign office. Rangel had already announced that he was relocating his campaign office, since its current location is too small.

Two previous Democratic chairs of the Ways and Means Committee were also removed via scandals: Rep. Wilbur Mills (1957-74), in a setup affair with a stripper; and Rep. Dan Rostenkowski (1981-94), in a House Post Office scandal. Rangel militantly defended his actions, and demanded that the House Committee on Official Standards (Ethics Committee) immediately investigate these so-called charges of a conflict of interest in raising money for CCNY. He also demanded that the *Washington Post* apologize. The National Legal and Policy Center has called for a Federal Election Commission investigation of Rangel's rent-stabilized campaign office.

## Ibero-American News Digest

### Brazil's Backing of Free Trade Leads to Diplomatic Debacle

### Colombia, Venezuela Reiterate: Integration Will Proceed

### Argentina Re-Nationalizes Airline; Vulture Funds Drool

### Sonora to Calderón: The System Is Crashing; Build the PLHINO!

### Mexicans Say No to Privatizing PEMEX

## Brazil's Backing of Free Trade Leads to Diplomatic Debacle

Aug. 1 (EIRNS)—Brazil's obsession with getting a better seat at globalization's table, even as that old world order disintegrates, led the Lula government into a diplomatic fiasco, when the World Trade Organization (WTO) Doha Round collapsed last week.

Brazil turned its back on its allies in the G-20 and the Common Market of the South (Mercosur), to fight for the deal offered by WTO director Pascal Lamy, the EU, and the U.S., whose terms Brazil's allies recognized would be genocidal in the midst of an international food crisis. Argentina joined India, Indonesia, and other nations, in defending their right to enact measures to protect their domestic markets from hyperinflated commodity prices.

Brazil went so far as to offer to cut its industrial tariffs by 56% (!), astounding its erstwhile allies, Argentina, India, and South Africa, which together were demanding more protection for their own industries.

Now that the WTO deal has collapsed, a brawl is on in Brazil over whether to continue to push the failed free-trade policies, or change course. The initial reaction of both Foreign Minister Celso Amorim and President Lula da Silva was to

insist, on July 30, that they would immediately seek bilateral free-trade agreements, mentioning Mexico, the Central American countries, and the EU as potential targets.

Despite the tension over Brazil's betrayal in the Doha talks, Lula will be in Argentina on Aug. 2-4, to try to mend fences and refocus discussion on the issue of regional integration. Venezuelan President Hugo Chávez will join them on the last day, turning the discussions into the latest "Presidents' Club" effort to strengthen integration.

The visit provides an opportunity for Brazil to climb down from the free-trade limb it has been clinging to. Argentine President Cristina Fernández de Kirchner reiterated on July 31, that her goal is to "reindustrialize Argentina" and not just be "another segment of the international economy" whose only purpose is to export raw materials. It was this industrialization policy that Argentina defended at the Doha Round talks in Geneva, she said, and this is the "banner" we proudly fly.

### **Colombia, Venezuela Reiterate: Integration Will Proceed**

July 29 (EIRNS)—To achieve real South American integration, it is imperative to build a means of mass transportation which links the countries of the South. "We want the railroad to run from San Cristobal [in Venezuela], passing through Villavicencio [in] Colombia's plains.... This is very important for all of us," Venezuelan President Hugo Chávez declared in his Sunday national broadcast on July 27. He added that this project will extend into Bolivia, Brazil, and Argentina.

This was the second time in recent weeks, that Chávez has spoken of a continent-wide railroad, an idea which is clearly taking on new life.

At the same time, the Venezuelan President went after Colombian Defense Minister Juan Manuel Santos, who had, once again, made a show of expressing cynicism about cooperating with the Chávez government and such regional integration efforts as the South American Defense Council, the latter a Brazilian-initiated forum which Colombian President Alvaro Uribe had just announced Colombia would join. The fact that this time Santos made his remarks during a visit to Washington, D.C., last week, was particularly provocative.

Chávez declared Santos to be "the number one enemy," who is doing damage to Colombia, and to South America, but he took pains to emphasize that his beef was not with the Colombian government as a whole. "We are countries with different approaches, but we are not enemies," he said.

As had occurred the first time Santos's public attacks on the Chávez government threatened to derail the Colombian President's peace initiative with Venezuela, the office of the Colombian Presidency immediately issued a press release restating its policy: President Uribe has instructed the Foreign Ministry, *and his entire Cabinet*, to diligently work on advancing the integration projects with Venezuela to which he had committed his government in his July 11 summit with Chávez. The foreign ministers of the two countries are to meet in August to ensure that bilateral relations are moving forward—and members of the government should work towards this, in the discreet terms appropriate for binational integration.

Lyndon LaRouche has emphasized that moving forward on such rails-for-peace projects is critical to the Americas defeating Britain's Opium War against the region, and "turning terrorists into farmers."

### **Argentina Re-Nationalizes Airline; Vulture Funds Drool**

July 26 (EIRNS)—Argentine President Cristina Fernández de Kirchner announced July 21 that her government is

renationalizing Aerolíneas Argentinas, once the state's proud flagship airline, which was privatized in 1990 by then-President Carlos Menem.

Argentina is buying up majority shares in Aerolíneas from the Spanish Group Marsans, which bought the airline in 2001 from Spain's Iberia airline. Under private ownership, the airline was asset-stripped, such that today, it has an \$890 million debt, is \$60 million in arrears on fuel payments, and has 60% of its 57-aircraft fleet grounded, due to lack of spare parts. Fernández says she is committed to getting the airline back into operating shape.

One immediate crisis is that the airline overbooked passengers for the Winter vacation period beginning July 28, to the tune of \$140 million. The government is scrambling to try to provide service. In addition, vulture funds that didn't participate in the 2005 debt restructuring, are now drooling at the prospect of seizing Aerolíneas's aircraft, once the renationalization is complete and the aircraft are considered legitimate state assets.

## **Sonora to Calderón: The System Is Crashing; Build the PLHINO!**

July 31 (EIRNS)—When he visited the state of Sonora this morning, Mexican President Felipe Calderón was greeted by a full-page advertisement in the state's leading daily, *El Imparcial*, with the bold headline: "In the Face of the Food Crisis, Let's Build the PLHINO."

The ad, signed the Pro-PLHINO of the XXI Century Committee, brought the stark message: Today's worldwide economic crisis is no cyclical event, but a "systemic crisis" from which no nation can escape, and whose most dramatic expression is seen in the global hyperinflation hitting energy, raw materials, and most especially, food. Food-import-dependent nations like Mexico will find that there are no grains available on the market, even if they have the money to buy it.

To secure its food supply, the State must invest in ambitious infrastructure projects such as the Northwest Hydraulic Plan (PLHINO), which would link the water basins of the states of Nayarit, Sinoloa, and Sonora, and open up more than a million hectares for cultivation, create hundreds of thousands of productive jobs, and generate electricity.

The relevant Congressional committees, the legislatures of the states immediately involved, and most recently, a meeting sponsored by the National Governors Conference, have endorsed construction of the PLHINO, the ad reports. "But, Mr. President, your National Water Commission (CONAGUA) is refusing to use the monies allocated by Congress a year and a half ago to build the PLHINO. The time has come for you to intervene, to prevent social chaos."

The Pro-PLHINO Committee, representing farm, labor, business, youth, and other institutions of Sonora, and founded by leaders of the LaRouche movement in Sonora a year ago, has made construction of the PLHINO a strategic national issue. The Committee has organized a growing movement of people who believe that the Northwest "must fulfill its mission of providing the nation with the food which is today needed so urgently," and that means taking on the opponents of the PLHINO.

## **Mexicans Say No to Privatizing PEMEX**

July 31 (EIRNS)—Upwards of 1.7 million Mexicans turned out on July 27 for the first of the popular referendums organized by the Democratic Revolutionary Party (PRD) and other opposition forces, on the Calderón government's stated intention of privatizing the national oil company, Pemex. Over 800,000 people came out to vote in the non-binding plebiscite in Mexico City, along with another 950,000-plus in nine states, of which a reported 82% voted against privatization, and expressed their disagreement with Calderón's restructuring plans—designed under massive pressure of the bankrupt international financial institutions—to hand over Mexico's oil to foreign private predators.

Although protest organizers had hoped for an even larger turnout, the vote nonetheless demonstrated that there is still substantial ferment against the disintegration of Mexico's economy—and especially its ability to feed its population—under the weight of the international crisis. Similar plebiscites will be held in the other the states, on Aug. 10 and 24.

Well-informed political sources in Mexico report that the Calderón government, however, does not plan to listen to this protest movement, and will instead try to ram the privatization legislation through Congress, relying on his own PAN party and corrupt allies within the PRI, in particular. Behind all of those forces, however, are the snarling orders coming from bankrupt London and Wall Street financial institutions.

## **Western European News Digest**

### **European Governments 'In a State of Denial'**

### **The WTO Flop: 'Tremonti's Revenge'**

### **British Law Lords Uphold Cover-Up of Al-Yamamah Corruption**

### **Belgians, French Brainwashed for Belgian Break-Up Scenario**

### **Karadzic in The Hague; State Court Decides Genocide Case**

### **How Can Spain Bail Out Britain Now?**

### **Italian Parliament 'Shamefully' Votes Up Lisbon Treaty**

## **European Governments 'In a State of Denial'**

July 31 (EIRNS)—A Middle East-based European intelligence source told *EIR* that European governments are in such a state of denial of global strategic reality, that all serious politics has been suspended, and presumptive Democratic Presidential candidate Barack Obama is viewed as the Messiah.

The source had just completed a tour of London and the Europe continent, where he spoke at forums involving both European-based Islamic leaders and European parliamentarians and government officials. At one meeting, the featured speaker was a man who described himself as Obama's top domestic policy advisor, who shocked our friend with his hero-worship of the candidate. The Europeans sat there with their mouths open "as if they were waiting for the Messiah." By contrast, Obama's trip to the Middle East left a poor impression on both Arabs and Israelis, who concluded that there will not be big changes from Bush-Cheney policy, if he is elected.

The source was struck by the fact that across the policy spectrum, while the population is suffering, the political class is doing nothing, and even fails to recognize the problem.

## **The WTO Flop: 'Tremonti's Revenge'**

July 30 (EIRNS)—Italian media enthusiastically cheered the failure of the World Trade Organization meeting in Geneva, with the daily *Corriere della Sera* going so far as to call it "revenge" for Italian Treasury Minister Giulio Tremonti.

The success of the advocates of the nation-state at Geneva has given added vigor to the fight for domestic protectionism on other fronts as well. Italian Agriculture Minister Luca Zaia, back from Geneva, announced that Italy wants to review the milk quota policy in the European Union, this year. Italian farmers must pay fines of 187 million for having produced 628,000 tons of milk over their quota, whereas the European market has a deficit of 2 million tons! Moreover, Italy is the only EU country which has a quota of 58% of its domestic consumption. Italy needs a major quota increase in order to establish a domestic supply for high-quality cheeses, like Parmesan, which today depends on imported milk.

### **British Law Lords Uphold Cover-Up of Al-Yamamah Corruption**

July 30 (EIRNS)—The committee of the House of Lords of the United Kingdom, known as "Law Lords," which is the highest court in the British empire, today knocked down the decision to reopen the investigation of bribes paid by the defense firm BAE Systems to Saudi Prince Bandar bin-Sultan, which was closed by the Serious Fraud Office (SFO). Earlier this year, in a case brought by two social activist organizations, the Campaign Against Arms Trade (CAAT) and Corner House, judges in the British High Court "had sharply criticized the anti-fraud agency, the British government, and the Saudi royal family, saying the agency's decision represented an 'abject surrender' to pressure from a foreign government."

The Law Lords found it not only lawful, but "courageous" to shut down the investigation, after the Saudis threatened to cut off cooperation with Britain on the issue of terrorism. On top of that, the British are now demanding that with this precedent, the investigations of BAE by the United States and Switzerland should also be shut down. "With the highest court in Britain putting an end to the affair here, Washington should do the same," advised the *Daily Telegraph*.

### **Belgians, French Brainwashed for Belgian Break-Up Scenario**

PARIS, July 30 (EIRNS)—In a lead article, the French right-wing daily *Le Figaro* reports today on a new poll, jointly paid for by the Belgian daily *Le Soir* and the French daily *La Voix du Nord*, which proffered the "surprising" result that 49% of French-speaking Belgians, known as Walloons, would prefer to become part of France, "in case" Belgium were to break up. Less publicized is the fact that a large majority of them believe the Belgian state not only can, but actually will, survive safely.

*Le Figaro* ran interviews from only the tiny handful of second-tier French politicians favorable to such a scenario, still only "in case" of a Belgium break-up, featuring Philippe de Villiers, friend of the late Jimmy Goldsmith.

### **Karadzic in The Hague; State Court Decides Genocide Case**

July 30 (EIRNS)—Former Bosnian Serb leader and accused war criminal Radovan Karadzic was sent to The Hague this morning; his first appearance in front of the International Criminal Tribunal on former Yugoslavia (ICTY) is set for July 31. The day before his extradition, violent protests rocked Belgrade at a support rally for Karadzic and for still-fugitive Bosnian Serb Gen. Ratko Mladic; the protests were attended by an estimated 10,000 people, with quite a few provocateurs among them. They were organized by the extreme nationalist parties. The British and Croat embassies were very heavily guarded.

The day before, the first trial before Bosnian State Court's War Crimes Chamber took place on genocide charges and on the July 1995 Srebrenica massacre. After working for two years on the case, the state court sentenced seven Bosnian Serbs

to 38-42 years in jail for participation in the Srebrenica massacre, while four were acquitted.

Srebrenica is considered to be the worst war crime on European soil since World War II; almost 8,000 people, mostly Muslims, were murdered.

## **How Can Spain Bail Out Britain Now?**

July 30 (EIRNS)—London's use of Spain's Santander Bank, as a favored conduit to bail out collapsing British banks, is not long for this world. Spain is fast proving to be the weak flank of British finance in Europe, precisely as Lyndon LaRouche identified two weeks ago.

The mortgage bubble which "sustained" the Spanish banking system—including Santander—has popped. House sales dropped 34% between May 2007 and May 2008, and mortgage borrowing, over the same time, was down 40.4%, according to official figures released two days ago. New housing sales by developers are reported to have plummeted 40-60%; permits issued for new houses in the first five months of 2008 alone, by 57%. Not surprising, given that the latest estimates are that there are 1.5 million unsold new homes on the Spanish market.

With the percentage of Spanish banks' loans which are in default having more than doubled (to 1.5%), and the July 14 bankruptcy of Spanish real estate developer giant Martinsa-Fadesa being, according to Standard & Poors, the largest corporate insolvency in Spanish history, involving more than 80 financial institutions, the Spanish banks themselves are not long for this world, under current policies. And that includes Santander, the loyal subject and ally of the Queen's Royal Bank of Scotland.

## **Italian Parliament 'Shamefully' Votes Up Lisbon Treaty**

July 31 (EIRNS)—The Italian Chamber of Deputies capitulated to pressure and will vote today for the ratification of the Lisbon Treaty. A member of the Foreign Affairs Committee reported to *EIR* that "there has been an acceleration," and massive pressure was put on the committee chairman, a Lega Nord (Northern League) member, who voted for the ratification, while saying that the treaty must be changed! Almost all committee members spoke against the Treaty, but voted for ratification.

The decision was characterized as "shameful" and "despicable" by a leading legal expert who has fought against it. This expert wondered "what occult power is pushing Europe" into suicide. Watch the Belgian situation, the expert said, as this will mark a process leading to the implosion of larger states.

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

**[Foreign Ministry: Russian-U.S. Relations Could Evaporate in Global Crisis](#)**

**[Russian Navy Prioritizes Construction of Nuclear Submarines](#)**

**[Russia To Create 'Nuclear University'](#)**

**[City of London Press Flips Over Russian Grain Trading Plan](#)**

## **Foreign Ministry: Russian-U.S. Relations Could Evaporate in Global Crisis**

Aug. 1 (EIRNS)—On July 30, a high-ranking Russian Foreign Ministry official addressed two dozen reporters, summoned to the ministry in Moscow for a background briefing, in nearly apocalyptic terms about the state of U.S.-Russian relations, and the very survival of the United States in the current global crisis. The briefing was of broad strategic significance. While obviously timed as a response to Presidential candidate John McCain's latest statement of his view that Russia should not be a member of the Group of Eight, it also occurred just hours after career diplomat Sergei Kislyak was named Ambassador to the U.S.A. As a deputy foreign minister, Kislyak has handled the Iran nuclear program dossier, as well as follow-up to former President Vladimir Putin's joint nuclear missile defense initiative, discussed between Putin and President George Bush at Kennebunkport a year ago, but mostly dead in the water since then, due to U.S. stonewalling.

The reported briefing also reflected, Lyndon LaRouche observed, an inevitable Moscow response to events surrounding arrest of Bosnia Serb figure Radovan Karadzic and his transfer to The Hague for trial: the prospect of a new Balkan war.

The Foreign Ministry official raised the prospect of a complete breakdown of U.S.-Russian relations. He also attacked the United States for selfishness at a moment of existential crisis for humanity, while warning that the U.S.A. itself is on the brink of collapse.

No transcript was released, but direct quotations appeared in widespread coverage in the Russian media. According to the daily *Izvestia* of July 31, the official warned that the United States faces "a full-fledged crisis of existence." He said that the U.S.A. is on a pathway of sharp, painful changes, which it will survive only by "living within its means." America "needs to be reborn," he said. The official attacked U.S. levels of consumption, "now, when the physical survival of humanity is at stake," while warning of a flight from U.S. government bonds. According to *Izvestia's* paraphrase, he commented that "8% of U.S. GDP (\$1 trillion) is provided by borrowing. And that is two-thirds of all available cash resources, which could be directed toward solving global problems like poverty. Yet, the U.S.A. is not willing to spend even to solve its own problem of energy dependency."

Said the official, according to *Izvestia*, "At our expense, Americas military is being built up, including the war in Iraq. Nobody yet believes that the U.S.A. will default on its state debt, but when that happens, there will begin a flight out of bonds issued with U.S. government guarantees."

Talking about Russia's just-issued Foreign Policy Conception, which President Dmitri Medvedev approved in July, the official said, "Unlike the 2000 Conception, it contains no euphoria, fears, or illusions; our Western partners have disabused us of those. It has no exaggerated expectations, but rather contains a positive agenda, which we proposed to our partners on the basis of full equality and mutual benefit." If there are countries that don't want this, he added, "We can allow ourselves not to have any relations at all with those who don't want it." Stating that Russia is prepared for any way in which events might develop, the diplomat said that if the U.S.A. keeps pushing to be a sole superpower, "the time will come, when we cease to conduct a dialogue on essential questions of interest to the United States." He cited U.S. postures vis-à-vis Iran, and Israeli-Palestinian peace efforts.

Concerning what he called U.S. objections to now Prime Minister Putin's continuing to have a role in foreign policy, the official said that the role of the prime minister in foreign policy is officially enshrined in the new foreign policy guidelines, and that "as head of the government, Putin may become even more influential in Russian foreign policy, since he is dealing with the reality of what Russia will be in the next five to ten years."

These dramatic statements have gone almost unreported in the U.S.A., except for a short item in the *Wall Street Journal*, and the reprinting of English-language Russian wire dispatches in Johnson's Russia List, an e-mail circular read by Russia-watchers.

## **Russian Navy Prioritizes Construction of Nuclear Submarines**

July 26 (EIRNS)—Russian Navy Commander in Chief Adm. Vladimir Vysotsky said that construction of new-generation nuclear-powered ballistic missile and attack submarines is a top priority for the Russian Navy's development, reported RIA Novosti yesterday. According to a new doctrine for the development of the Armed Forces, Russia will completely modernize the naval component of its nuclear triad by 2016.

Vysotsky said that fourth-generation Borey-class nuclear-powered submarines armed with Bulava missiles (with ten nuclear warheads and a range of 8,000 km) would form the core of Russia's fleet of modern strategic submarines. The first unit of the series has been built and is to go into service in the near future, while two more are under construction near Arkhangelsk. In 2009, the Russian Navy will also receive the first nuclear-powered attack submarine of the Project 885 Yasen class, the first Russian multipurpose sub that can launch a variety of long-range nuclear missiles and engage hostile submarines and surface warships.

In addition to nuclear submarines, Russia is building several new-generation Project 677 Lada-class diesel-electric subs. The submarine, whose export version is known as the Amur 1650, features a new anti-sonar coating for the hull, an extended cruising range, and advanced anti-ship and anti-submarine weaponry.

## **Russia To Create 'Nuclear University'**

Aug. 1 (EIRNS)—Sergei Kiriyyenko, head of the Russian state nuclear power corporation Rosatom, announced today that the Russian Federation will adopt a program for creation of a national "nuclear university" at the beginning of next year. It will combine the capacities of six universities and 23 technical schools, in a nationwide network centered on the Moscow Institute of Physical Engineering. According to Kiriyyenko, the program must be nationwide, encompassing major existing nuclear-industry facilities and closed cities (classified labs), because Russia intends to train 10,000 specialists annually: 2,000 with higher education, and 8,000 skilled technical personnel. "Our schedule is tight," Kiriyyenko said, according to the Rosbalt information agency, "All of the decisions need to be taken by the end of this year."

Kiriyyenko's announcement came two days after he and Prime Minister Vladimir Putin addressed a national conference on development of the nuclear power industry, held in Electrostal. Putin said that the schedule for doubling nuclear power output by 2030 starts with building 26 new nuclear power units within the next 12 years. With the aging of the Soviet-era skilled nuclear work force, the educational program is an obvious necessity.

## **City of London Press Flips Over Russian Grain Trading Plan**

Aug. 1 (EIRNS)—The *Financial Times* of London ran a front-page headline today, "Moscow To Seize Grain Export Controls." The story cited "diplomats and agricultural industry officials" as the source for what was actually quite publicly announced by Russian Agriculture Minister Alexei Gordeyev: The Russian government is going to set up a state grain corporation. It will be based on the existing Food Market Regulation Agency. According to the Russian business news agency RBC, the organization will interact with 28 grain-processing, storage, and shipping companies that are partially state-owned. By 2011, it is to control 40-50% of Russian grain exports.

Currently, six companies dominate 60% of Russia's grain exports, and the largest of them is MZK, a subsidiary of



Glencore (formerly known as Marc Rich & Co. AG). Russia is exporting 15 million tons of its 80 million tons of grain produced this year. Among its main customers are Egypt, India, and Morocco.

The *Financial Times* raised the specter of the state agency taking over private interests, and compared the action to the tyranny of Gazprom, the Russian natural gas monopoly. There is said to be an internal report on the plan circulating in the U.S. Department of Agriculture. Free-market fanatics scream that such a move will increase pressure on world market prices—but also on the world's nations to go their independent way to food security.

## **Russia-Ukraine-Belarus Ministers Consult on Agrarian Union**

Aug. 1 (EIRNS)—Meeting today in the Dnepropetrovsk Region of Ukraine, Agriculture Ministers S. Shapiro of Belarus, Alexei Gordeyev of Russia, and Yuri Melnik of Ukraine called for creating an "agrarian union" of the three countries, reports the Krestyanskiye Vedomosti agricultural news wire. The ministers discussed technology-sharing and scientific exchange. Gordeyev said that such cooperation could lower imports from elsewhere, raising food security for all three countries. The report said that Ukrainian Prime Minister Yulia Tymoshenko has supported the initiative.

## **Southwest Asia News Digest**

### **Fallon: 'Realities of 30 Years of Non-Dialogue' with Iran**

### **Ahmadinejad Hints at Positive Response to U.S. Shift**

### **Israeli Foreign Minister: Clock Is Ticking for Iran**

### **Syrian Envoy to U.S.: Israel Has a Chance for Peace**

### **Netanyahu Is First To Call for New Israeli Elections**

### **Turkey Dismantles Its Gladio Stay-Behind Network**

## **Fallon: 'Realities of 30 Years of Non-Dialogue' with Iran**

July 29 (EIRNS)—Adm. William Fallon emphasized the necessity of dialogue with Iran, in what appear to be his first public appearances since he was forced to resign as chief of U.S. Central Command last March.

In remarks to the National Press Club today, he noted that the only real dialogue that has ensued over the past 30 years has been the exchange of messages and courtesies at sea during passages of U.S. naval ships in the Persian Gulf. He said that while there are significant issues with Iran, "we have to recognize the realities of 30 years of non-dialogue." In Fallon's discussion with talk show host Charlie Rose on July 28, he mentioned his efforts, while at Centcom, to engage with Iran. "The key issue," he said, "is how do you get them to start playing a constructive role rather than a destabilizing, unconstructive role they are playing now?"

Fallon also reported that when he first toured the region after becoming chief of Centcom in March 2007, regional leaders expressed concern about Iran's ambitions, but they also told him, "Don't start a war."

## **Ahmadinejad Hints at Positive Response to U.S. Shift**

July 28 (EIRNS)—Iranian President Mahmoud Ahmadinejad acknowledged signs of a shift in U.S. policy toward Iran, and said that Iran will respond positively if there is a genuine change on the part of Washington. He was speaking in an interview with NBC News.

After saying that the policy of the U.S. toward Iran for the past 50 years has been one of confrontation, Ahmadinejad continued: "Today, we see new behavior shown by the United States and the officials of the United States. My question is, is such behavior rooted in a new approach, in other words mutual respect, cooperation, and justice? Or is this approach a continuation in the confrontation with the Iranian people, but in a new guise?"

If this is just a continuation of the old process, Iran will defend its rights, Ahmadinejad said. "But if the approach changes, we will be facing a new situation, and the response by the Iranian people will be a positive one."

On the Geneva meeting on Iran's nuclear program, he said: "They submitted a package, and we responded by submitting our own package. They again submitted a work plan, and we submitted our own work plan. It's very natural in the first steps we are going to negotiate over the common ground as they exist inside the two packages. If the two parties succeed in agreeing over the common ground, that will help us to work on our differences as well, to reach an agreement."

## **Israeli Foreign Minister: Clock Is Ticking for Iran**

Aug. 3 (EIRNS)—Speaking to CNN's Wolf Blitzer, Israeli foreign minister and prime minister candidate Tzipi Livni, gave a short timetable on what she deemed the red-line for military action on Iran. When Blitzer asked if she agreed with Israeli Defense Minister Ehud Barak, who had told Blitzer the day before that there are 15 to 36 months before Iran reaches the "line of no return," Livni replied, "Time is of the essence even more. We shouldn't wait for the point of no return." She said that the international community must apply tough sanctions immediately, since, "any hesitation from the international community allows Iran to progress on their nuclear program." When confronted with International Atomic Energy Agency director Mohamed ElBaradei's comments that an attack on Iran would lead to conflagration in the region, Livni replied, "It is a choice between bad options. But waiting doesn't create a better situation, but a worse one."

Asked about the Israeli-Palestinian negotiations, Livni claimed that her Palestinian contacts were telling her that the peace talks were very advanced, but that the proposed deadline set by President Bush, to have some agreement by the end of his Administration, might be unrealistic. "The time-line is less important than the content," Livni said.

## **Syrian Envoy to U.S.: Israel Has a Chance for Peace**

July 29 (EIRNS)—In an interview with Americans for Peace now, parts of which were aired on Israel's Army Radio, Syrian Ambassador to the United States Imad Moustapha called talks between Israel and Syria "an historic opportunity for Israel to make peace, not just with Syria and Lebanon, but with the whole Arab world." Calling on Israel to withdraw from the occupied Golan Heights as the price for peace with Syria, he said, "Israel must accept Syria's legitimate demand and understand that it will not achieve peace on the northern border as long as it is holding the Golan Heights. We offer the big thing—let's sit together, make peace, and finish once and for all this state of war. What could be better than that?"

In response to the statements, Peace Now Secretary General Yariv Oppenheimer called on Israel to complete negotiations with Syria while the current Knesset is still in power. "The government of Israel has an obligation not to miss this chance for peace with Syria, and to present a full peace agreement to the public," Oppenheimer told Army Radio.

On July 29, Prime Minister Ehud Olmert defended his decision to hold negotiations with Syria, in an address to graduates of the National Security program at Hebrew University in Jerusalem.

"Israel's security organizations have shown maturity and broad strategic vision when they supported the need for dialogue with Syria from the start," Olmert said. "Israel's security establishment has a very significant role, perhaps an unprecedented one," in the negotiations. He warned, "The time will come when signals, as positive as they may be, [will not be] enough. Israel has been pressing for direct talks" with Syria.

## **Netanyahu Is First To Call for New Israeli Elections**

July 31 (EIRNS)—Israel is debating whether to hold new elections, now that Prime Minister Ehud Olmert has said that he will resign in September, after his Kadima party elects a new chairman.

The first to open his mouth was Likud party chairman Benjamin Netanyahu, who immediately called for new elections, saying that the resignation of Olmert has demonstrated that the current government is a "total failure," demanding a return "to the people and new elections." Polls show that the Likud would win an election.

Among the candidates who have put themselves forward for Kadima party head, Transport Minister Shaul Mofaz said if he wins, he would form a broad coalition that would include the Likud. Mofaz, a former chief of staff and defense minister, is now on a visit in the U.S. His campaign manager is the American Arthur Finkelstein, who had been Netanyahu's advisor in the past.

Foreign Minister Tzipi Livni, who is the frontrunner in the Kadima leadership race, has also said she would form a unity government with Likud.

As for the Labor Party, Isaac Herzog, the social affairs minister, said Labor would seek to help form a new government rather than go to a new election. But he admitted that it could be hard to form a new government, so elections could be held as early as March.

The *Jerusalem Post* quotes a political observer saying that the entire situation is a brilliant ploy by Olmert to stay in power: that Olmert might just remain prime minister longer than everyone thought. He would have to lead a caretaker government until a new one is formed, which could take months, and if it fails, new elections would have to be held, after which again a new government would have to be formed. This could continue well into next year. Olmert said he would push the peace process as long as he is in office.

## **Turkey Dismantles Its Gladio Stay-Behind Network**

July 29 (EIRNS)—Turkey is finally dismantling its NATO-linked Gladio stay-behind network, commented a Turkish intelligence source, on the indictment of the Ergenekon crime network. The latter was the center of a 2,400-page indictment identifying 85 suspects who were involved in planning a coup, as well as having carried out several assassinations and terrorist attacks.

The source said that all the other NATO countries have dismantled their Gladio operations, and now it is time for Turkey.

There is a general feeling, said the source, that foreign intelligence services are cooperating with the Turkish prosecutors, giving them access to secret documents and other evidence. He feared that Ergenekon was no longer useful to certain

factions, so they are dismantling it, while they come up with something else.

On the question of the case against the ruling party now being deliberated in the Constitutional Court, he said that the court is not above politics. He said there are powerful political circles in the country who want Prime Minister Recep Tayyip Erdogan out; he is the real target, not his AKP party as such.

## Asia News Digest

### Indian, Pakistani Troops Clash on Kashmiri Border

### Thailand To Sell Rice to Food-Short Nigeria and Iran

### Rising Violence in Afghanistan Threatens All Relief Work

### Obama Sends Letter to Nazi-Loving Dalai Lama

### China's 'People's Daily' Hits Speculators for Oil Prices

### Mortgage Crisis Hits South Korean Homebuilders

#### Indian, Pakistani Troops Clash on Kashmiri Border

July 28 (EIRNS)—The British-led gameplan, painstakingly implemented by British MI6 and Pakistani Inter-Services Intelligence (ISI), to further dismember Pakistan and India to create an independent Kashmir, led to a clash between Indian and Pakistani troops along the disputed Kashmir borders today.

Agence France Presse (AFP) quoted an Indian Army spokesman that a group of Pakistani troops crossed into Indian-occupied Kashmir on July 28, and shot dead an Indian soldier, sparking a gun battle. Between 10 and 12 Pakistani soldiers crossed the Line of Control and entered the Kupwara sector, and after a verbal confrontation, they killed an Indian soldier, Indian Army spokesman Anil Kumar Mathur said. He said the killing triggered an exchange of small arms fire, which was continuing into the evening. According to the spokesman, Pakistani soldiers crossed 200 meters into Indian territory to object to the setting up of a post by Indian soldiers.

Indian and Pakistani forces have exchanged periodic gunfire since May, but the July 28 clashes appear to be a deliberate attempt to undermine the ongoing peace process between the two nations. The two had announced a ceasefire all along their borders in November 2003, and the ceasefire had held until recently. The conflict over Kashmir has been at the root of two wars between India and Pakistan.

The exchange of fire followed bomb blasts in two important Indian cities—Bangalore and Ahmedabad—last week. Pakistan's western frontier bordering Afghanistan has become ungovernable, and the MI6-ISI-led insurgency west of the Indus River, funded by Afghan opium, is threatening a violent secessionist movement to carve out of Pakistan an independent nation sandwiched between the Indus and Afghanistan.

#### Thailand To Sell Rice to Food-Short Nigeria and Iran

Aug. 1 (EIRNS)—Thailand, the world's largest rice exporter, is discussing selling at least 850,000 tons of rice to Iran and Nigeria, after government stocks swelled this Summer, helping to dispel any lingering concern over food security for Thailand itself. Nigeria is looking to buy 250,000 tons and Iran 600,000 tons, the same quantity it has bought from Thailand in previous years, Thai government spokeswoman Suparat Nakboonnam told Reuters. "We need to spend a couple of months working on the details. It will not take longer than that," she said. The first release of state-held stocks since November 2006 comes after inventories rose by more than a fifth to 2.57 million tons since January.

Thailand's Finance Minister, Surapong Suebwonglee, who chaired a National Rice Committee meeting on July 31, said the government would continue to sell off bits of the stockpile after the Iranian and Nigerian deals were completed. "We will sell gradually, as we don't want the sales to hurt Thai rice prices," he told reporters after the meeting.

Thailand is expecting to harvest 7.6 million tons of paddy during the August-September period, up from around 4 million in the same period of last year, according to Agriculture Ministry data.

## **Rising Violence in Afghanistan Threatens All Relief Work**

Aug. 1 (EIRNS)—The Agency Coordinating Body for Afghan Relief (ACBAR) said today that unrest has spread in the countryside, and welfare agencies are being forced to reduce aid delivery, even though drought and price rises were having a severe impact on the poor in Afghanistan. A statement issued by 100 non-governmental aid agencies released today pointed to a 50% rise in insurgent attacks in 2008 compared to last year. The aid agencies criticized the rising number of civilian deaths, which they said were caused mainly by insurgents, but also by international forces' air strikes. There were 463 Taliban attacks in May and 569 in June, ACBAR said, citing figures from a range of sources including the Afghanistan NGO Safety Office.

As ACBAR was issuing the statement, bomb blasts killed five NATO soldiers in Afghanistan today, the alliance force said, without giving out the nationalities of the troops. Five Afghan policemen were also killed in an overnight bomb attack that was similar to scores carried out by the Taliban.

This latest spate of violence against U.S. and NATO troops has encouraged a section of U.S. policymakers, and the military, to demand more troop deployment in Afghanistan. The obvious constraint is the lack of U.S. troops and the unwillingness of other NATO countries to deploy theirs. Also, unless the U.S. Army goes for total eradication of the vast opium crop, the opium lords, and the narco-cartel that dominates the Afghan scene, all other policies are doomed to failure, U.S. Defense Secretary Robert Gates acknowledged at a Pentagon news conference on July 31 that the number of troops raised so far is not significant: "At most, a couple of hundred, maybe."

## **Obama Sends Letter to Nazi-Loving Dalai Lama**

July 28 (EIRNS)—Not wanting to be upstaged by John McCain's anti-China diatribes, Barack Obama sent a letter to the Nazi-loving Dalai Lama, right after McCain went to Aspen, Colorado for a personal meeting. Obama said that although he was unable to meet the "man of peace" because of his extended photo-op in Europe and Southwest Asia, he wanted to "reassure you of my highest respect and support for you, your mission and your people at this critical time." He praised McCain for meeting with the Dalai Lama, showing that support for Tibet "transcends the divisions of our political contest."

Sources informed *EIR* that the Dalai Lama told his audiences at an Aspen Institute event and at a Brookings Institution seminar in Colorado that he was pessimistic about the talks between Beijing and his spokespersons. His speeches were typically shallow, and he allowed no questions at the Brookings event.

The letter from Obama was delivered by Jeff Bader, head of the China Center at Brookings, and a foreign policy advisor to Obama on Asian affairs.

## **China's 'People's Daily' Hits Speculators for Oil Prices**

July 28 (EIRNS)—"The skyrocketing oil prices cannot actually reflect the basic relations between supply and demand; instead, they make up a bubble catalyzed by international speculative capital," reports today's *People's Daily*, the paper of the Chinese Communist Party, with 3-4 million circulation worldwide.

The article continues: "Since July 2007, when the sub-prime loan crisis broke out in the U.S, international speculative capital such as hedge funds began to heavily invest into futures markets in a bid to reduce and avert risks by turning to oil, agricultural products, and metal futures for profits (hedging) in a backdrop of a depreciating U.S. dollar, surging global inflation and fluctuation of primary financial markets in the world at large. Statistics show that, compared with 2003, speculative capital currently storming into the international futures market has grown nearly 20 times to \$260 billion, of which more than half has been invested in oil futures transactions....

"Since 2003, the U.S. dollar has been weakening, with a parity rate to the world's main currencies now devalued by over 25%. On the other hand, the global demand for oil has risen 8%. Meanwhile, international oil prices have shot up by 300% or more. It is evident that the untamed surge in oil prices stems from speculative activities in the oil futures market."

The article notes that U.S. regulators are investigating the extent of speculation in the price spike, and warns that eventually there will be a meltdown.

## **Mortgage Crisis Hits South Korean Homebuilders**

July 28 (EIRNS)—The mortgage bubble collapse is also hitting South Korea. Because of the structure of the South Korean real estate markets, the distress is seen particularly among homebuilders. Concern is mounting about a possible "chain of bankruptcies," due to the large number of unsold new homes on the market. There is an official count of 129,800 unsold homes, but the figure could be much higher. The value "locked up" in unsold homes is estimated at 45 trillion won (approximately \$45 billion).

Some 180 construction companies went bankrupt during the first half of this year, averaging out to one per day. There are rumors that a large-scale chain of bankruptcies among local builders will happen in September.

## **Africa News Digest**

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## **Mbeki, in France, Condemns ICC Sudan Destabilization**

July 27 (EIRNS)—South African President Thabo Mbeki confronted the London-orchestrated campaign to dismember Sudan, when he said in Paris yesterday, that President Omar al-Bashir must not be prosecuted for war crimes, because it would block the peace process in Darfur. He said the peace process could not be implemented without the active engagement of Bashir, and that Bashir's continued presence as head of state was necessary for Sudan's post-civil war security. He made these comments in a South Africa television interview conducted in Bordeaux, France, after he had attended an EU-South Africa summit there.

"Both of them require the very active participation of President Bashir," Mbeki stated: "I don't know how they would do that if an International Criminal Court says here's a person who has been indicted, because they then must stop interacting with him because this is a wanted criminal, and I don't know how you then implement all of those things."

Mbeki said he was ready to meet Bashir to discuss the ICC intervention into Sudan.

Egyptian President Hosni Mubarak held talks today with visiting Sudanese Vice President Ali Osman Taha on how to deal with the ICC attack on Sudan. Taha reiterated that the human rights courts that Bashir announced that Sudan will set up, will carry out their mandate, as was agreed to by Sudan with Arab League Secretary General Amr Moussa, on his visit to Khartoum. Sudan has agreed to try those responsible for crimes in Darfur, and the proceedings will be under Arab League and African Union (AU) observation.

Taha said the Sudan government still supports dialogue for reaching a political settlement in Darfur. During Bashir's trip to Darfur, he pledged to Rodolphe Adada, the joint special representative of the Darfur peacekeeping mission, on July 23, to boost Sudan's efforts to provide better security for the UN-AU peacekeeping mission there. "You are our guests and our partners," said Bashir, "and we are ready to provide any assistance that will help you do your work."

Arab and African nations have uniformly denounced the ICC's naked political attempt to destabilize Sudan. On July 24, the Organization of African Trade Union Unity (OATUU), which represents 25 million workers of all trade union tendencies, said it was shocked that an ICC arrest warrant has been sought against Bashir. The OATUU called the arrest warrant unhelpful to the ongoing process of negotiations and peace in Darfur, and said it would contribute to the intransigence of the divided foreign-assisted Darfur rebels.

The statement noted that a previous attempt to resolve the Darfur conflict "brokered by the AU, was never respected by the rebels, who instead split into splinter groups, armed and financed by foreign powers." The statement added that any self-respecting government, including the government of the Sudan, cannot fold its arms while rebels armed and financed by foreign powers, want to cheaply exploit the mineral resources of Darfur, at the expense of the suffering Darfur people.

OATUU called on the AU and the UN to stop this flagrant abuse of the international judicial process, aimed at derailing the peace process in Sudan. The *New Vision* daily in Uganda, a country that has generally supported the City of London financial cartel, pointed out that when Khartoum was attacked by rebels in May, the attackers were not condemned by the international community.

## **Opposition to ICC Is Strong Throughout Africa**

July 28 (EIRNS)—In Sudan, all parties have united in opposing the International Criminal Court's (ICC's) intent to prosecute President Omar al-Bashir, calling it a threat to the stability and security of the country. The Sudan National Assembly, in emergency session July 16, unanimously passed a resolution supporting the government. Today, the *New*

*York Times* is compelled to admit, "In the past few weeks, one sworn political enemy after another has closed ranks behind [Bashir]." The *Times* reports that Sadiq al-Mahdi, the elected leader of Sudan who was overthrown by Bashir in 1989, has thrown the support of his Umma Party behind Bashir. It could have mentioned that another major opposition party, the Democratic Unionist Party, has done the same. The *Times* quotes "a senior Western diplomat" in Khartoum: "A lot of the political entities looked into the abyss and were scared"—they fear some combination of the implosion of the government, return of al-Qaeda, and the attacks of emboldened rebel groups.

Elsewhere on the continent, according to an editorial in *People's Daily* (Beijing) today, "The ICC move has given rise to doubts and questions among Africans. Some of these Africans have even queried the Hague-based court why it did not file indictment against any big power which brazenly launched wars (of aggression) against weak nations with heavy ensuing casualties among common people, and could any voice be heard from Hague when Western countries provoked disputes or wars in Africa for the sake of seeking their own interests with an ensuing loss of tens of thousands of lives?... So at this critical moment, what the international community should do is precisely to take pains to press ahead with the [peace process in Sudan] instead of interfering with and impeding it."

## **AU Disapproval of ICC Included in Peacekeeping Mandate Renewal**

Aug. 1 (EIRNS)—After tortuous debate and drawn-out negotiations, the UN Security Council last night voted to renew the mandate for the UN peacekeeping force in Darfur, Sudan, two hours before it was to expire. The point of contention was the African Union (AU) demand that the Security Council delay the ICC proceedings against Sudan President Omar al-Bashir by one year. The ICC call for the arrest and prosecution of Bashir is part of an Anglo-Dutch destabilization strategy to partition the country. Sudan has so far been able to hold out against this campaign, because of close economic cooperation with China and other Asian nations. Chinese Ambassador to the UN Wang Guangya said in the Security Council debate, that prosecution of the ICC warrant would "seriously undermine" chances for peace in the region. Libya, South Africa, Russia, and China all backed the AU.

While the Security Council resolution did not call for the one-year delay of the ICC proceedings, it noted the request from the AU for the Council to use its power to suspend any indictment of Bashir, and agreed to discuss any ICC indictment of the Sudanese President. Although this was objected to by Britain, France, and the United States, it passed by 14 votes, with the United States abstaining, in opposition to the inclusion of the statement acknowledging AU concern.

## **New City of London Attempt To Force Mbeki Out Now**

Aug. 3 (EIRNS)—The *Sunday Times* of Johannesburg today launched a smear campaign against South African President Thabo Mbeki and the ruling African National Congress. The *Times* is seeking to destroy South Africa's leading institutions, as has previously been publicized by the *Economist*, mouthpiece of the City of London.

While the material being used by the *Times* for the attack on South Africa is hearsay, and has been reported before, the *Times* is pushing to get Mbeki out of office before his term is up in eight months. *Times* editor Mondli Makhanya, in an audio interview on the *Times* website, treats Mbeki as proven guilty, and says: "We at the *Sunday Times* believe Mbeki betrayed us and cannot stay on for the eight months until the election."

The *Times* is majority-owned by Hosken Consolidated Investments Limited, which invests in gambling, media and broadcasting, hotels and leisure, transport, industry, food and beverages, and information technology. Tokyo Sexwale, a political opponent of Mbeki, who was once charged with being part of a coup attempt against the President, has a 30% share in the *Times* holding company.



The *Times* alleges that Mbeki accepted a bribe of 30 million rand (roughly \$5 million) from a German shipbuilder, in exchange for a submarine contract, and that he gave R28 million of it to the ruling ANC and R2 million to Jacob Zuma, then his Vice President, who is now president of the ANC and an opponent of Mbeki, and is in line to be the ANC candidate for South African President.

The *Times* alleges that a "central European manufacturer," defending against a hostile takeover bid from the shipbuilder MAN Ferrostaal, hired "a British specialist risk company" to investigate MAN Ferrostaal, and the *Times'* charges are based on that "secret report," which claims to have information from a former South African official.

While the South African Presidency has denied the charges, the ANC Youth League's National Executive Committee (NEC), now allied with Zuma, "resolved that the President ... must be recalled and will further engage the NEC of the ANC on the possibility of calling an early general election," according to spokeswoman Maropene Ntuli, on Aug. 2.

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