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**New Bretton Woods:**  
**Russia's Role in a Recovery**  
**by Lyndon H. LaRouche, Jr.**

August 20, 2008

A fraudulent representation of the Franklin Roosevelt Bretton Woods system was recently launched at Modena, Italy, by a pair of seasoned turncoats, Jonathan Tennenbaum and Paolo Raimondi. The targets of their fully intended fraud included both important Russian scientists and notable Italian political figures. That pair of hoaxsters, who had gone over to the proverbial "other side" during recent years, represented a small, London-oriented circle of hoaxsters which have put themselves out for sale in search of hire and fame to be supplied by British Euro-oligarchical intelligence circles. The method by which that pair of hoaxsters perpetrated their fraud on the Russian and other guests, was passing themselves off, flagrantly, by representing themselves as being currently associated with me....

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

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## Feature

- **New Bretton Woods:**

- **Russia's Role in a Recovery**

- Lyndon H. LaRouche, Jr. addresses a recurrent problem among Russian policymakers, but one which is by no means limited to them: 'Economics is the one subject which is outstanding in the respect that everyone practices it, but almost no one in government around the world today has an actual understanding of what it is, in its effect, that they are actually practicing.'

- **Appendix:**

- **FDR's Bretton Woods Plan**

## International

- **'Most Terrifying of Terrors':**

- **World War by Miscalculation?**

- **by Helga Zepp-LaRouche**

- Russian leaders are comparing the current strategic situation with the Cuban missile crisis of 1962. As in the U.S. response to the Tet Offensive during the Vietnam War, the West is underestimating what it is contending with.

- **British Oligarchs Run Soros Addiction Drive**

- George Soros's operatives dominate the Latin American Commission on Drugs and Democracy, which was established in Rio de Janeiro in April 2008. The agenda is continent-wide drug legalization.

- **Coca:**

## [The Sacred Leaf Of British Imperialism](#)

Thanks to a multimillion-dollar campaign, run for more than three decades by the drug mafia and international financial interests, the legalization of the cultivation and trade of coca is today a possibility. **Luis E. Vásquez Medina** reports from Lima.

- [Who Wants Civil War In the Philippines?](#)

The U.S. Institute of Peace, among others, attempted to push through an unconstitutional agreement with the Moro Liberation Front, which would have established a virtually independent state encompassing huge sections of the southern provinces of Mindanao, Sulu, and Palawan.

- [Soros's Thai Fascists Lay Siege to Capital](#)

- [International Intelligence](#)

## Economics

- [Guarantees Are Worthless, When the System Is Bankrupt](#)

There is no shortage of 'guarantees' to depositors— from the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve, and the Federal Home Loan Banks— but none of these players actually has the money it needs to satisfy those guarantees, in anything approaching a worstcase scenario.

## National

- [After the Democratic Convention:](#)

- [LaRouche PAC Takes Leadership of the Nation in Crisis](#)

'The nomination of Senator Barack Obama,' wrote Lyndon LaRouche, 'as combined with the prospect of the nomination of Senator John McCain, has settled almost nothing, other than the fact of those nominations themselves.' Hence the indispensable role of LaRouche PAC will increase in the weeks ahead, to provide leadership that is otherwise sorely lacking.

## Editorial

- [World War III Closer Than the Elections](#)

## U.S. Economic/Financial News

- [Another Bank Bites the Dust](#)

- [Ending Hunger: TVA Research Benefits World Agriculture](#)

- [Commerce Dept. 'Revises' GDP To Show 3.3% Growth from Fed Stimulus](#)

### Another Bank Bites the Dust

Aug. 24 (EIRNS)—The ninth U.S. bank to fail this year—at least, insofar as the government is willing to admit

publicly—Columbian Bank and Trust of Topeka, Kansas, was officially closed by the FDIC on Aug. 22. It had \$752 million in assets, and was brought down by the collapse of the housing bubble and the ensuing credit crunch. Unlike the banking behemoths, which are even more bankrupt, despite their hyperinflationary Federal bailouts, this little bank was officially pronounced dead. Its branches will be transformed into Citizens Bank and Trust offices, and will maintain customer continuity of services, at least for now.

## **Ending Hunger: TVA Research Benefits World Agriculture**

Aug. 26 (EIRNS)—Dr. Amit Roy, President of the International Center for Soil Fertility and Agricultural Development, based in Muscle Shoals, Alabama, where the TVA (Tennessee Valley Authority) began, under President Franklin Roosevelt, described the TVA's fertilizer program on Aug. 25, "as one of the most effective research and development programs of any U.S. agency." He stated: "It's time to launch a radical initiative to develop generation of energy-efficient fertilizers to help avert world hunger and famine."

From the 1950s through the 1970s, the TVA spent about \$41 million on research into developing new kinds of high nutrient-content fertilizers and new manufacturing technologies. Today, these improvements are used in 75% of the fertilizer produced around the world. It is estimated that that investment leveraged \$57 billion in returns, just to agriculture in the United States.

Today, scientists estimate, fertilizers are responsible for more than a third of U.S. crop production. The immediate concern is to find ways to lower the energy input for fertilizer production, in order to lower the cost, since energy has been hyperinflating. But the overall thrust is to return to public investment in fertilizer R&D, and pick up where the TVA left off.

## **Commerce Dept. 'Revises' GDP To Show 3.3% Growth from Fed Stimulus**

Aug. 28 (EIRNS)—The U.S. Commerce Department today released "revised" figures showing a 3.3% annualized rate of growth in the second quarter of this year. This is way above the 0.9% annualized growth rate imputed for the first quarter of the fiscal year. How did this happen? The Federal stimulus package, of course. The Commerce Department lauds the impact of \$90 billion worth of checks sent out to consumers. However, in the real world, the following are indicative of the actual state of affairs:

\* U.S. personal bankruptcy filings are up 29% year-on-year, according to a report released Aug. 27. The oldest people have the highest filing rate now. In 1991, about 8% of bankruptcies were accounted for by those 55 years and older; but in 2007, 22% of filings came from those 55 and over. Moreover, bankruptcy laws have been made tougher in recent years, but still thousands—especially oldsters—have no recourse, and qualify.

\* Public school districts are slashing operations, as children return to class. For example, in California's San Marcos Unified School District, all school bus service was cancelled, except for the disabled (still required by Federal law). The entire bus fleet is mothballed; 27 drivers were laid off.

\* Auto sector in the final down-spiral. e.g., Toyota Motors, the world's number two carmaker, today announced its lowered forecast for 2009 auto sales growth—citing a rosy 2.1% expected increase, way down from its previous forecast of 5.6%.

## **Global Economic News**

## Japanese Political Scientist on the Crash

## Spanish Current Account Deficit Hits 10.7% of GDP

## Santander's Mortgage-Backed Securities Are Downgraded

### **Japanese Political Scientist on the Crash**

Aug. 24 (EIRNS)—Dr. Takeshi Sasaki, political scientist and former president of Tokyo University, referred to the gravity of the financial crisis in his article in *Yomiuri Shimbun* today. Citing the present economic turmoil and its effect on international politics, as exemplified in discussions at the recent meeting of the G-8 in Japan, he commented dryly: "Given our experience of a series of credit crises in Japan about 10 years ago, we can say this kind of crisis is so extremely burdensome that no early solution can be conceivable. Some experts claim that the world is experiencing a crisis of unprecedented scale. This is not necessarily an exaggeration."

### **Spanish Current Account Deficit Hits 10.7% of GDP**

Aug. 30 (EIRNS)—"Spain is the most unbalanced among the large economies," writes the Spanish daily *El País*, commenting on new data showing that the country's foreign trade deficit has grown to 10.7% of GDP. Among the OECD's 30 industrialized countries, only Ireland shows a worse performance. Spanish imbalances are due mainly to the slowdown of the German and French economies, which are the main export markets for Madrid.

### **Santander's Mortgage-Backed Securities Are Downgraded**

Aug. 29 (EIRNS)—A domino piece fell yesterday in the Spanish financial bubble, when Fitch downgraded a chunk of mortgage-backed securities owned by Banco Santander. Santander is allied to Royal Bank of Scotland, so that a Santander crisis has a direct effect on the British banking system, in addition to the Spanish system. Spanish banks have been kept afloat by the European Central Bank (ECB), which has rolled over their debt at the pace of Eu50 billion (\$73.2 billion) monthly loans, accepting mortgage-backed securities as collateral.

Over the last year, after the interbank market froze, Spanish banks have been issuing new securities only for the purpose of getting ECB money. Spanish banks get 11% of the entire ECB monthly injections. Now those securities are being downgraded, and the Spanish banking system is headed for a dead-end. The Fitch downgrading concerns six sets of securities worth Eu4.06 billion. Fitch downgraded the lower tier A, BBB, and BB tranches. The upper levels remain stable. Apparently, the security was issued in October 2007. According to Fitch, the loss provisions on the debt suggest a write-off of 35% against book value.

The high levels of default hitting those mortgages concentrate on foreign owners. Fitch said it suspected that British and other North European owners of second homes in Spain were throwing in the towel.

## **United States News Digest**

### Cheney To Push Anti-Russia Provocations on European Trip

### Bush Administration Set To Kill U.S.-Russia Civil Nuclear Agreement

## Soros Pushes Pot Decrim in Massachusetts

## UAW, Automakers Parody LaRouche 'Retooling' Policy They Rejected

### **Cheney To Push Anti-Russia Provocations on European Trip**

Aug. 29 (EIRNS)—In a background briefing yesterday, an unidentified senior Administration official laid out the following itinerary for Dick Cheney's travels next week:

- \* Sept. 3: Azerbaijan, including a meeting and dinner with President Aliyev; energy will be a major topic of discussion.
- \* Sept. 4: Georgia, for meetings with Saakashvili and his team, assessment of humanitarian aid, discussion of "the need for a comprehensive long-term strategy by the international community to help Georgia recover and rebuild, including the critical task of supporting the democratic choice of the Georgian people to integrate further with Euro-Atlantic institutions, including NATO."
- \* Sept. 4-5: Ukraine, private dinner with President Yushchenko. Sept. 5 will feature a meeting with Yushchenko and with Prime Minister Tymoshenko. Ukraine seeks deeper integration with Euro-Atlantic institutions, including NATO, which the U.S. will continue to support, the official said.
- \* Sept. 6-7: Lake Como, Italy, at the Ambrosetti Conference.
- \* Sept. 8-9: Rome, discussions with the Italian President and Prime Minister.

When asked about pipelines, the official stressed the U.S. interest in "ensuring a diversity of supplies and supply routes to Europe and the international market," and said that the United States wants to help Azerbaijan and Central Asia and the Caspian Basin develop these resources.

Notably, the official took his lead from the British, saying: "I would point you to Foreign Minister Miliband's speech yesterday in Ukraine, and the kind of impact he observed there about what the most recent events portend for the way Europe thinks about its energy future, and the way the rest of the world needs to think about energy security in light of this unpredictable behavior by Russia that stands as a major supplier of oil and gas into Europe."

### **Bush Administration Set To Kill U.S.-Russia Civil Nuclear Agreement**

Aug. 28 (EIRNS)—The Bush Administration yesterday put out the word that it is preparing to scrap the civil nuclear cooperation agreement with Russia, as has been mooted in the wake of the Russia-Georgia conflict. The agreement, worked out at Kennebunkport and known as the "123 Agreement" (see *EIR*, July 20, 2007), enables cooperation on the development of civilian nuclear power projects, and has been subject to intense Congressional opposition from both Democrats and Republicans who wanted to stop Russian assistance to Iran's civil nuclear program at Iran's Bushehr nuclear plant. Last year, the House voted 397-16 to bar the U.S.-Russia 123 cooperation as part of an Iran sanctions bill. In the Senate, although there is more support for the 123 agreement, there are 70 co-sponsors on an Iran sanctions bill which would also prohibit "123" cooperation.

Until recently, the Administration strongly defended the "123" agreement, and was intimating that Bush would veto any

bill which tried to kill it. Sen. Joe Biden (D-Del.), now the Democratic Vice Presidential candidate, who previously supported the agreement, has withdrawn his support for it. So now, according to today's *New York Times*, the Administration has concluded that the agreement could not survive a Congressional vote, and is moving to kill it itself.

## **Soros Pushes Pot Decrim in Massachusetts**

Aug. 28 (EIRNS)—Drug legalizer and mega-moneybags George Soros is pushing for marijuana decriminalization in Massachusetts.

The Associated Press reported yesterday: "A measure that would decriminalize minor marijuana possession cases is on the ballot in Massachusetts largely because of one man: billionaire financier and liberal activist George Soros. Of the \$429,000 collected last year by the group advancing the measure, \$400,000 came from Soros, who has championed similar efforts in several states and spent \$24 million to fight President Bush's 2004 re election bid. The Committee for Sensible Marijuana Policy needed about \$315,000 of that just to collect the more than 100,000 signatures that secured a spot on the ballot, according to campaign finance reports reviewed by The Associated Press."

## **UAW, Automakers Parody LaRouche 'Retooling' Policy They Rejected**

Aug. 27 (EIRNS)—At the Denver Democratic Convention, the Detroit 3 automakers, United Auto Workers (UAW) national leadership, and Michigan Congressmen are starting "an all-out blitz" aimed at Congressional passage of \$50 billion in Federal credits to "retool and save" the auto industry. They will hit the Minneapolis GOP Convention as well.

This is a sad parody of the Economic Recovery Act of 2006 (ERA) proposal of Lyndon LaRouche, first circulated to Congress in Spring 2005, to save the auto industry with a World War II-style federally sponsored retooling of the machine-tool plants, centered on a new mission of building elements of new economic infrastructure such as high-speed rail corridors. Some 50 American auto/machine-tool and auto-parts and systems plants have been closed; many others lost most of their workforces, since LaRouche's first warning in February 2005 of bankruptcy looming over the automakers, and his proposal to save the industry's irreplaceable capacity. Leaders of many of the affected UAW locals went to Washington to push for the ERA. A new Federal corporation like the wartime Defense Plants Corp., authorized to extend Federal credit of \$1.2 trillion a year on plant retooling and infrastructure projects, was proposed by LaRouche.

Now a policy of Federal loans to the automakers for retooling their plants to make small, fuel-efficient cars, appears in the Democratic Platform adopted at Denver. Michigan Sen. Carl Levin told the *Detroit News* that during the week of Sept. 16, the CEOs of GM, Chrysler, and Ford would meet with the Democratic Congressional leadership on it in Washington. Shamelessly, "some executives compare this to retooling plants for World War II," the LaRouche policy which was killed by "Democratic Party" bankers and funders Felix Rohatyn and George Soros, with help from the auto CEOs. The automakers admit that they now need \$50 billion in Federal loans and loan guarantees to survive at all, because they are shut out of the capital markets, while making massive losses. The national UAW, which refused to fight for a real retooling policy when their union members' employment was at stake, are now mobilizing to save the SUV-addled auto managements and shareholders.

The energy bill passed in December 2007 already authorized \$25 billion in these "mini" retooling loans, but Congress hasn't appropriated any of that spending. This appropriation was endorsed by Republican candidate Sen. John McCain on Aug. 22. But this is clearly not enough for the bailout the Detroit 3 desperately need. And there's a little problem: That 2007 bill specified that the Energy Department must "ensure the automaker applying for them is financially viable without the receipt of additional Federal funding...."

# Ibero-American News Digest

## Campaign for PLHINO Goes National in Mexico

## Pro-PLHINO Committee Meets with Cuauhtemoc Cárdenas

## Brits Threaten Uribe with 'Fujimori Treatment'

## Bolivia: British Flashpoint South America War

### **Campaign for PLHINO Goes National in Mexico**

Aug. 29 (EIRNS)—The fight to build the great, tri-state water management plan, the North West Hydraulic Plan (PLHINO), is becoming a national campaign, as the reality of the world food crisis and economic breakdown hits. The meeting two days ago of the LaRouche movement-sponsored Pro-PLHINO Committee, representing 32 farm, labor, business, social, and other organizations in the state of Sonora committed to constructing PLHINO, with Cuauhtemoc Cárdenas, son of Mexico's great President and friend of Franklin Delano Roosevelt, Lazaro Cárdenas, marks an important step forward.

While in Mexico City, the Pro-PLHINO Committee leaders also gave a presentation at the University of Chapingo, Mexico's leading agricultural college, to professors in hydraulics and soil mechanics, and a large group of students about to graduate. The university committed itself, as an institution, to support the PLHINO, and plans to promote it with a document that will be signed by the university president. This is particularly significant, because Chapingo is where American agronomist and Nobel laureate Norman Borlaug carried out his Green Revolution studies and experiments in the middle of the 20th Century.

Sonoran representatives in the federal Congress from the PRI and PRD parties are also campaigning hard. Congressman Gustavo Mendivil, discussing his plans when he takes his turn as coordinator of the Sonora delegation in Congress this week, announced that the Sonoran delegation is going to be pushing the PLHINO, because it will not only benefit the three directly states involved, but all of Mexico, reviving the countryside in the midst of a world food crisis.

Sen. Alfonso Elías Serrano is out on the stump, with the idea that "Sonora can once again become the granary of Mexico.... If the President comes on board, the project can be done," is his evaluation.

### **Pro-PLHINO Committee Meets with Cuauhtemoc Cárdenas**

MEXICO CITY, August 27 (EIRNS)—The Pro-PLHINO Committee issued the following press release on its meeting with Cuauhtemoc Cárdenas today:

"For more than an hour, members of the board of the Pro-PLHINO Committee, which included Adalberto Rosas López, Alberto Vizcarra Osuna, Antonio Valdez, Jesus María Martínez and Manuel Frías Alcaraz, held a meeting with Cuauhtemoc Cárdenas Solorzano this past Wednesday in Mexico City, at which they presented the economic reasons underlying the strategic importance of the Northwest Water Plan (PLHINO), and also urged other prominent figures to offer their support to the productive sectors of Mexico's Northwest for the construction of a water project that the food crisis itself has made urgent and unavoidable.

"It is notable that Cárdenas sent a letter three years ago to PLHINO advocates Adalberto Rosas and Alberto Vizcarra, in which he backed the project, something which he reiterated in this meeting, indicating that the PLHINO should be seen as a project that demands everyone's support, but especially the support of state, municipal, and federal authorities. The construction of dams, said Cárdenas, is intimately tied to the development of the regions and to the establishment of human settlements that have permitted the creation of cities and of economic growth.

"He explained this after being informed that officials of CONAGUA (the National Water Commission) are opposing the PLHINO, and the construction of dams in general, using the simplistic cost-benefit argument and a twisted environmentalist ideology. In that sense, Cárdenas commented that it should be obvious that regions like southern Sonora, in this case Cajeme and Navojoa, would not be possible without the Mocuzari and Oviachic dams. This opened up a wide-ranging discussion of how and why policies of public investment and budget must be based on the visionary concept of economic potential, rather than on the financier and monetarist idea of cost-benefit.

"Also discussed with Cárdenas was the importance that oil revenues once again be used as leverage for the industrialization of the country, and in particular, for investment in infrastructure projects like the PLHINO, which address the food emergency, the urgency of creating jobs, and which increase the productive capacities of the economy in general. Cárdenas acknowledged that the country needs this kind of infrastructure project, drawn in part from oil profits, to support a capital budget that operates as a fund for expanding and growing the national economy.

"Responding to an invitation from the Pro-PLHINO Committee board members, Cárdenas committed himself to visiting Sonora in early October, to support the mobilization for the PLHINO."

### **Brits Threaten Uribe with 'Fujimori Treatment'**

Aug. 30 (EIRNS)—George "I Worked for Hitler" Soros is not happy with Colombian President Alvaro Uribe, who, by combining blows to the FARC (the leading drug-traffickers of South America), joining Venezuelan President Hugo Chávez in building regional railways, and launching a campaign against drug legalization in July, opened a window of opportunity to crush Britain's Opium War against South America.

So, the British attack dogs have been unleashed against him.

On Aug. 20, the Toronto *Globe and Mail* published a column by one Daniel Linsker, head of the South America Desk for London's Control Risks intelligence operation, warning that unless Uribe announces, quickly, that he will not seek a third term, he could end up like Peruvian President Alberto Fujimori. Fujimori sits in jail today, after being run out of office in an operation bought and paid for by George Soros (with a little help from Madeleine Albright's State Department). Linsker's article was then picked up by newspapers around the world.

Soon thereafter, drug legalization champion, former Colombian President, and Liberal Party head César Gaviria, suggested charges might be brought against Uribe in the International Criminal Court (ICC). The hand of Soros could not be clearer. Gaviria, who as President from 1990-94 allowed the drug mafia to buy up members of the Constituent Assembly, is co-chair of Soros's latest drug-legalization initiative, the Latin American Commission on Drugs and Democracy, established in April 2008, in Rio de Janeiro. The ICC is also controlled by Soros.

### **Bolivia: British Flashpoint South America War**

Aug. 30 (EIRNS)—Long-standing British operations to split apart Bolivia, and thus unleash chaos throughout the continent, are nearing end-game, should leadership capable of flanking the British game not emerge.

Separatist leaders in the eastern states have escalated their offensive against President Evo Morales, declaring that they don't recognize the authority of the central government. On Aug. 22, they announced that they have placed themselves on a "war footing" against Morales, and on Aug. 29, after the President announced a national referendum for Dec. 7, to vote up or down the new Constitution drafted by his supporters, Santa Cruz prefect Rubén Costas responded with threats of "civil war."

Since Morales won a referendum, by a smashing majority, on whether he should stay in power, elected officials of the eastern provinces of Santa Cruz, Beni, Pando, Chuquisaca, and Tarija have led strikes and road blockages, on both internal roads and those connecting Bolivia with Argentina, Paraguay, and other nations. The fascist Cruceñista Youth Union, modeled on the Hitler Youth, violently attacked police, government offices, and Morales supporters. Cattle-ranchers in Santa Cruz and Beni announced they would stop sending beef to those western provinces that support the President.

The separatists had threatened to take over oil and gas fields and other government installations, should the President go ahead with a referendum to approve the new Constitution, which would divide the country, by establishing "indigenist" autonomous zones. Whether they can, or will do so, is now a question.

## Western European News Digest

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## British Feed Fears of Russian Bear

Aug. 29 (EIRNS)—The London *Daily Telegraph's* Ambrose Evans-Pritchard today pushes British propaganda warning against a Russian cutoff of oil flow to the West. Evans-Pritchard quotes an unnamed "high-level business source" who told him that Russian oil companies are under orders from the Kremlin to prepare for a supply cut to Germany and Poland through the Druzhba (Friendship) pipeline. It is believed that executives from lead-producer Lukoil have been put on weekend alert. "They have been told to be ready to cut off supplies as soon as Monday [Sept. 1]," the source said.

Evans-Pritchard also quotes former CIA chief James Woolsey saying that "Russia is behaving in a very erratic way. There is a risk that they might do something like cutting oil to hurt the world's democracies, if they get angry enough."

Contrary to Evans-Pritchard's psywar, Russian Prime Minister Putin said yesterday in a CNN interview, that Russia has no intention of cutting energy flows to the West.

## **Soros Outfit Looks Next to Ukraine, Moldova**

Aug. 26 (EIRNS)—Today's *Moscow Times* reports on a provocative study just released by the George Soros-founded European Council on Foreign Relations. The ECFR calls on the European Union to strengthen ties with Ukraine and support for Moldova, as moves against Russia. Reporting on Georgia, Soros's ECFR demands "specific commitments to Ukraine," and other countries in the region, in the wake of Russia's military action in Georgia. These should involve "stronger engagement for democracy, prosperity, and security in the broader region," but keep "tough measures toward Moscow on the table if Russia resists."

The EU should also back an international commission of inquiry into the Georgian conflict to establish its causes, says Soros. While conceding that harsh actions against Russia would be "counterproductive," this sophistry is no less provocative, and reveals the true nature of the British EU-empire drive.

On Sept. 9, Ukraine will participate in an EU summit.

## **Poland Fails To Rally 'New Europe' vs. Russia**

Aug. 29 (EIRNS)—A call by the Polish government for an initiative for a common anti-Russian position of the "New Europe" states in Eastern Europe and the Balkans, apparently did not attract much attention. Only three Presidents—those of Poland, Lithuania, and Estonia—convened in the Estonian capital, Tallinn, today, agreeing on a resolution that calls for increasing EU aid to rebuild Georgia and to accelerate the perspective of EU membership for Georgia and Ukraine. The details are to be worked out at a meeting in Warsaw before the special EU Summit in Brussels on Sept. 1.

## **Rome and Berlin Move Against Russia Sanctions**

Aug. 30, (EIRNS)—Italian media report today that Rome and Berlin protested to Paris over French Foreign Minister Bernard Kouchner's demands for sanctions against Russia.

Italian Prime Minister Silvio Berlusconi, according to the Rome daily *Il Messaggero*, telephoned French President Nicolas Sarkozy to demand an explanation. Berlusconi then met with President Giorgio Napolitano to deliberate on an Italian position which would not "isolate Moscow."

In Germany, Foreign Minister Frank-Walter Steinmeier called sanctions "unreasonable," while the chairman of the Bundestag Foreign Affairs Committee, Ruprecht Polenz (CDU), has said that even discussing sanctions on the eve of the Sept. 1 EU summit, would be a useless provocation against the Russians. The German government, reports *Corriere della Sera* correspondent Danilo Taino, is afraid that the U.S. government and other Western countries want to block the North Stream pipeline.

## **U.K. To Launch 'Plan B' for Lisbon Treaty?**

Aug. 29 (EIRNS)— After the visit by U.K. Foreign Secretary David Miliband to Ukraine on Aug. 27, the London *Financial Times* went full-steam ahead to influence the Sept. 1 EU summit on Georgia crisis, by calling for the West to promise Ukraine an EU membership. "The West should respond—and the EU must play a big role in that response," the *Financial Times* writes in its first editorial. "An EU move now would help head off the difficult issue of Ukraine's NATO

membership bid.... While united over EU accession, Ukrainians are split over NATO."

The editorial lies: "While EU membership brings no security guarantees, it confers the political backing of a 27-member bloc." An EU membership application process for Ukraine would be as provocative as a NATO membership, as any future Ukraine crisis could be used to push the Lisbon Treaty through the back door. If the treaty were implemented, it would create a militarized European Union, among other measures.

## **Rocard Calls for Public Credit Creation**

Aug 30 (EIRNS)— In a well-received intervention at a Socialist Party cadre school in La Rochelle, France, today, former French Prime Minister Michel Rocard—a supporter of a New Bretton Woods-style monetary system—stated that the international financial crisis we are living through is "far greater than anything that has been said here so far." He was the last speaker on the panel of seven of Socialist elected officials, in the round table on the political economy necessary to deal with the present crisis. Most of the speakers focussed on the financial crisis, several of them harshly attacking the drift of finance capital as being responsible for it.

Rocard went beyond his previous proposals, this time, acknowledging that "we made a big mistake in limiting our means of intervention into the economy, notably by agreeing to eliminate the Bank of France, which before had been the key for public investment, and [the situation] today forces states to borrow from private banks paying high interest rates."

## **Germany, Denmark To Sign Fehmarn Bridge Treaty**

Aug. 28 (EIRNS)—Germany and Denmark will sign an agreement on Sept. 3 to build a bridge that will significantly expedite travel and trade between Scandinavia and the European mainland.

German Transport Minister Wolfgang Tiefensee and his Danish counterpart, Carina Christensen, are scheduled to meet in Copenhagen to sign the treaty, allowing the construction of the Eu5.6 billion (\$8.2 billion) bridge that will span the 19-kilometer (11.8-mile) divide between Puttgarden on the German island of Fehmarn, and Roedby on the Danish island of Lolland. Both islands are in the Baltic Sea.

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

[\*\*Russia Recognizes South Ossetia and Abkhazia\*\*](#)

[\*\*Medvedev Meets Moldova President on Another 'Frozen Conflict'\*\*](#)

[\*\*Split in Ukrainian Leadership Deepens\*\*](#)

[\*\*Russian Government Pulls Out of Some WTO Agreements\*\*](#)

[\*\*Shanghai Council Backs Russian 'Active Role' in Caucasus\*\*](#)

## **Russia Recognizes South Ossetia and Abkhazia**

Aug. 26 (EIRNS)—Responding promptly to resolutions by the Russian State Duma and Federation Council, President Dmitri Medvedev today signed decrees on the recognition by the Russian Federation of South Ossetia and Abkhazia as independent nations. It is a major shift in Russian policy: For years, through many requests from the leaders of these regions for recognition, and even after the province of Kosovo split from Serbia earlier this year and was recognized by countries in the West, Russia held back from endorsement of any redrawing of borders. "This is not an easy choice to make," Medvedev said in his statement, released by the Kremlin, "but it represents the only possibility to save human lives."

Medvedev summarized the recent actions of the Saakashvili regime in Tbilisi, listing first of all, "the nighttime execution-style bombardment of Tskhinval," which killed hundreds of people. "The same fate lay in store for Abkhazia," he added. The Russian President reviewed the Georgian campaigns against these autonomous republics since 1991, beginning under nationalist President Zviad Gamsakhurdia. Throughout the 1990s, Medvedev recalled, Russia acted as peacekeeper and mediator, "invariably guided by the recognition of Georgia's territorial integrity." He stated that it was Saakashvili who disrupted the negotiating process and opted for military attack: "A peaceful resolution of the conflict was not part of Tbilisi's plan. The Georgian leadership was methodically preparing for war, while the political and material support provided by their foreign guardians only served to reinforce the perception of their own impunity."

Medvedev said that Saakashvili "opted for genocide to accomplish his political objectives," with the Aug. 7-8 Georgian attack. "By doing so he himself dashed all the hopes for the peaceful coexistence of Ossetians, Abkhazians, and Georgians in a single state.... It is our understanding that after what has happened in Tskhinval and what has been planned for Abkhazia, they have the right to decide their destiny by themselves." Medvedev then listed a number of international accords, including the UN Charter, as well as earlier referenda conducted in South Ossetia and Abkhazia, as the legal basis for his signing decrees on the recognition of the two countries' independence.

The Russian Foreign Ministry issued a lengthier itemization of the circumstances of the Russian decision, which is available on the ministry's website, [www.mid.ru](http://www.mid.ru).

## **Medvedev Meets Moldova President on Another 'Frozen Conflict'**

Aug. 25 (EIRNS)—The day before announcing Russia's recognition of the independence of Abkhazia and South Ossetia, President Dmitri Medvedev received the President of Moldova, Vladimir Voronin, for talks on the third most prominent "frozen conflict" of the post-Soviet space, the Transdnistria district. As Abkhazia and South Ossetia broke from Georgia, Transdnistria broke from the central Moldovan government after violence in the early 1990s. Like the "autonomies" in Georgia, the current leadership of the unrecognized Transdnistrian Republic renewed their push for international recognition, after Kosovo declared independence from Serbia earlier this year.

Now, according to the Novosti information agency and a Kremlin transcript of Medvedev's opening remarks before today's meeting, Russia is preparing a new diplomatic initiative to resolve the Transdnistria-Moldova situation.

Medvedev said that the South Ossetia crisis showed "what potential for conflict the so-called frozen conflicts conceal.... This is a very serious warning to us all, and I think that, in this context, we also need to examine the other problems that exist." He noted that he and Voronin had already opened a discussion of the matter, around the Community of Independent States (CIS) summit in St. Petersburg in June, and that today they would explore possible approaches. Voronin concurred, saying he was open to reviewing the 17-year status quo, because, "This kind of frozen, dormant conflict is a volcano and you never know what will trigger it and when it might erupt again. Of course, taking into consideration the recent events, it would be best to once again summon our wisdom and ability to ensure that nothing of this kind happens with us."

## **Split in Ukrainian Leadership Deepens**

Aug. 23 (EIRNS)—Ukrainian President Viktor Yushchenko took a high-profile role in the aftermath of the South Ossetia crisis, appearing together with Georgian leader Mikheil Saakashvili in Tbilisi, urging again that Ukraine be given a NATO Membership Action Plan, and trying to place further restrictions on movements of the Russian Black Sea Fleet. Prime Minister Yulia Tymoshenko, certain to be Yushchenko's primary opponent in the 2010 Presidential elections, has remained lower-key, and opposed holding a big military parade on Ukrainian Independence Day Aug. 24; Her advisors called it too provocative towards Russia.

Regarding Yushchenko's decree on the Russia Black Sea Fleet, Tymoshenko's advisor said, "This unilateralism on both sides causes problems. The President took unilateral action in his announcement. There must be a mechanism to cover this issue, but if it's not workable and not enforceable, it could act as a pretext for the other side."

## **Russian Government Pulls Out of Some WTO Agreements**

Aug. 26 (EIRNS)—The Russian government does not expect the country to join the World Trade Organization in the next few months, or even one year. While similar statements have been made by Agriculture Minister Gordeyev and even Foreign Minister Lavrov, this one came from the supposed leading free-trade liberal in the Russian Cabinet, First Deputy Prime Minister Igor Shuvalov. It was reported by RBC.ru, Prime-Tass, and other media. Following a government presidium meeting on Aug. 25, Shuvalov said that Russia has decided to pull out of several agreements signed during negotiations on WTO accession. Those involve the right of Russia to export agricultural products. The situation has changed since these issues were negotiated with the WTO, since the outbreak of the global food crisis, and Russia has offered to export more grain, which implies more state aid to the farming sector.

Prime Minister Vladimir Putin said Aug. 25 that it was "sensible" to abandon some of the commitments Russia made during WTO accession talks. "We don't see or feel advantages from membership, if they exist at all. But we are carrying the burden," Putin said in comments posted on the government website. "Basic fairness should prevail."

Putin said Russia would continue WTO accession talks, but at its own pace and not at the expense of its economic interests. "Certain sectors of our economy, primarily agriculture, are carrying a fairly heavy load," Putin said. Since one of the factors Russia was waiting for was approval of its membership bid by recent new WTO member Georgia, this is also a factor, though not one that Putin or Shuvalov mentioned.

## **Shanghai Council Backs Russian 'Active Role' in Caucasus**

Aug. 28 (EIRNS)—The Presidents of the six Shanghai Cooperation Organization (SCO) member nations today signed the Dushanbe Declaration, which supports Russia's "active role" in the current crisis in the Caucasus region. The Declaration states that the "SCO member-states are deeply concerned over tensions around the South Ossetian issue, and call on all sides concerned to peacefully resolve existing problems through dialogue." Full SCO members are China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. Observers are India, Pakistan, Mongolia, and Iran, with a special observer status for Afghanistan.

The Declaration does not, however, recognize the independence of South Ossetia or Abkhazia, nor was this expected. Nevertheless, Russian President Medvedev later explained, the Presidents "agreed that such events" as the Georgian aggression, "would not enforce global security," and that "any nation which launched aggression should be held responsible" for the consequences.

## **Southwest Asia News Digest**

## [Palestinian 'State' Deal: These Ducks Don't Fly](#)

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### **Palestinian 'State' Deal: These Ducks Don't Fly**

Aug. 28 (EIRNS)—In a desperate, last ditch folly, U.S. Secretary of State Condoleezza Rice made her 18th trip to Israel and the Palestinian National Authority last week, to try to secure a "lame ducks" legacy for President George W. Bush, and apparently, Israeli Prime Minister Ehud Olmert. According to informed sources close to both the PNA and Hamas, which governs in Gaza, PNA President Mahmoud Abbas will have to refuse to sign the shameful offer, which was leaked two weeks ago by Olmert's office. Under the reported "offer," the Palestinians would receive Gaza and 93% of the West Bank—but *only* Area A—with the border of a future Palestinian state roughly coinciding with the current route of the Israeli Separation Wall. In exchange for the 7% of the West Bank that Israel would take, Palestinians would receive a portion of the Negev Desert adjacent to Gaza, equal to 5.5% of the area of the West Bank.

"Abu Mazen would probably be killed if he took such an offer," said a well-informed Washington source to *EIR*. It does not even mention Hamas, which still commands the majority of voting support in the Palestinian territories; it does not allow for Jerusalem to be the capital of the Palestinian state; and it doesn't provide for the right of Palestinians who were thrown out of their country, and have lived as refugees since 1948, to return to their Palestinian state.

When the deal surfaced in the Israeli press about two weeks ago, it was immediately rejected, but then Rice was dispatched to try to rescue it. She is now forcing a meeting to take place between Olmert and Abbas on Aug. 31. Sources close to the Palestinians say Abbas is under tremendous pressure to sign, but will hold out.

Both Olmert and Bush, who are pushing this plan, are on their last legs—Olmert will be resigning after a vote for head of the Kadima party on Sept. 17, and Bush is already out to lunch, if not out of office, until January 2009.

### **U.S. Radar To Be Deployed in Israel**

Aug. 28 (EIRNS)—An agreement between Israel and the United States for the deployment of a U.S. radar system in Israel's Negev region means that there will be a de facto American base in Israel for the first time.

The radar system was agreed upon last month and is to serve as defense against Syrian and Iranian ballistic missiles. Until Israeli personnel are trained to operate the system, the radar will carry an American flag, be staffed by civilian personal under contract of the U.S. Defense Department, and have two U.S. soldiers stationed there as well.

Today's *Ha'aretz* comments that the deployment will have serious implications. Anyone attempting a missile attack on Israel would consider the radar a priority target, but at the same time, would have to take into account the implications of

striking the American crew.

While this would increase Israel's deterrence, it would also restrict its freedom of action, since Israel would also have to take into account the risk to the lives of the American radar operators, if it decides to strike the Iranian nuclear installations or strategic targets in Syria. Therefore, Israel would require the approval of the U.S. government for any attack.

*Ha'aretz* points out that the new radar would also facilitate a U.S. strike on Iran, by enabling the U.S. to deploy the anti-missile system quickly for defense against retaliation.

The deployment of the system began with the private initiative of Rep. Mark Kirk, a Republican from Chicago, who spent time as a Reservist in the U.S. Navy's command center during the second Israel-Lebanon War, when Israel's performance caused him grave concern. *Ha'aretz* points out that while the deployment was approved by Prime Minister Ehud Olmert and Defense Minister Ehud Barak, there was very little discussion or in-depth study of its implications. Even the military establishment has reservations about accepting this new American gift.

### **U.S.-Iraq Agreement in Jeopardy?**

Aug. 31 (EIRNS)—Confidential sources told the *Los Angeles Times* that Iraqi Prime Minister Nouri al-Maliki fired the negotiating team working on the strategic framework agreement with the United States, just as negotiations were reaching the "make-or-break" stage, and replaced it with three of his closest advisors, a reshuffle that some Iraqi officials warn risks sabotaging the agreement. One aide to Maliki also told the *Times* that, while there were expectations that an agreement was imminent, Iraq and the U.S. remain far apart on key issues, including the matter of immunity for U.S. troops in Iraq. The official said that if the agreement went to the parliament in its present form, it would never pass. Another Iraqi familiar with the contents of the talks, said the changing of the negotiators is a diversion. "They are avoiding the issue," he said. "They don't want a status of forces agreement. They don't want a security agreement."

U.S. intelligence sources have told *EIR* that the shift in negotiating posture by Maliki reflects a larger policy reassessment, among ruling Shi'ite circles in Iraq. According to the sources, Ayatollah Sistani, Maliki, SCIRI head Hakim, and, perhaps, even Mahdi Army leader Moqtada al-Sadr, have all concluded that their control over the country is sufficiently solid, that they no longer depend on a U.S. military presence, to secure their power. Thus, they are now moving far more aggressively, to get an early date for the pullout of American forces.

According to one Arab source, Sistani has recently issued a *fatwa*, forbidding any open-ended deployment of American forces on Iraqi soil. In recent weeks, Iraqi police have rounded up hundreds of leaders of the Sunni Awakening Councils, which have been working with U.S. troops, and this is cited as further indication of a power consolidation move by the Shi'ite coalition, in advance of the upcoming provincial elections.

### **Iraq Grants First Major Oil Contract—to China**

Aug. 29 (EIRNS)—Iraq's first oil deal since 2003 is a \$3 billion, 22-year contract with China National Petroleum Corp., reviving the 1997 agreement which had been negotiated under Saddam Hussein. China will provide advisors, workers, and equipment for the Ahdab oilfield southeast of Baghdad, according to the Iraqi Oil Ministry.

Security will be handled jointly by Iraqi and Chinese teams. China will not share in the profits, as in the 1997 contract, but will be paid for its services. The deal must be approved by the Iraqi Parliament. The oil will fuel a power plant, one of the largest in the country, which is now in the planning stage.

## **Chalabi Aide Arrested by U.S. Forces in Iraq**

Aug. 29 (EIRNS)—An associate of Dick Cheney's favorite Iraqi stooge Ahmad Chalabi, was arrested on Aug. 27 by U.S. forces at Baghdad airport. Without naming the individual, Ali al-Lami, U.S. officials said that the arrested man was implicated in "multiple criminal acts including bombings and attacks against Iraqi targets," including on June 24 bombing which killed four Americans and six Iraqis. U.S. officials also say that al-Lami was working with the "highest echelons" of the "special groups," which the U.S. military says are Iranian-backed militias operating in Iraq.

Al-Lami is also a senior official in the De-Baathification Commission, now known as the Justice and Accountability Committee, which is headed by Chalabi. "This incident shows the need for an end to the random arrest of Iraqis by the American forces, which are against the human rights outlined in the constitution," said Chalabi in a statement denouncing the arrest.

## **Asia News Digest**

### **Pakistan Without Musharraf Is Unravelling**

### **Bridge Plan Illustrates Dramatic Shift in China-Taiwan Relationship**

### **Al Gore Wins Big—in Malaysian Contest**

### **Gunmen Attack APCs Bound for Afghanistan, in Karachi**

## **Pakistan Without Musharraf Is Unravelling**

Aug. 31 (EIRNS)—The Pakistan government announced today that it will halt the major military offensive in the Northwest Tribal Areas, on the Afghanistan border, in deference to Ramadan, which begins Sept. 1. This follows by two days, the announcement that all the leaders of Baluchistan were being removed from an Exit Control List, allowing them free travel, and passports were being re-issuing to those who had them revoked. Also, 35 of 54 checkpoints of the Frontier Corps were being removed. This was described as coming from Pakistan People's Party leader Asif Ali Zardari, as part of a "reconciliation" process.

The London *Daily Telegraph* gloated that Peshawar, the capital of the region, "could fall to Taliban as fear and attacks grow."

Together, these moves contribute to the potential for the break-up of Pakistan, and further chaos in Afghanistan, as intended by the British, and as Lyndon LaRouche warned would result from the U.S. capitulation to the British/Saudi operation to oust Musharraf.

## **Bridge Plan Illustrates Dramatic Shift in China-Taiwan Relationship**

Aug. 25 (EIRNS)—Taiwan is considering building a bridge linking an outlying island Kinmen to Xiamen city on mainland China, Taiwan's Central News Agency reported on Aug. 24, in a sign of improving cross-Strait ties. Kinmen is only 1.4 miles from the mainland.

Taiwan President Ma Ying-jeou, who was on Kinmen Island to mark the 50th anniversary of the 1958 artillery battle between Taiwan and the mainland, when the island was known as Quemoy, said that the government will complete a feasibility study on the bridge by the end of the year. He also said the island planned to offer landing visas or multiple visas to mainlanders visiting Kinmen, to boost tourism.

President Ma has been unveiling many policies to boost ties with the mainland, such as allowing more tourists to visit Taiwan and increasing direct flights, a significant blow to the British "ring around China" destabilizations now being activated.

### **Al Gore Wins Big—in Malaysian Contest**

Aug. 26 (EIRNS)—The bosom buddy of Al Gore and Paul Wolfowitz in Malaysia, Anwar Ibrahim, won big in the Malaysian by-election to fill the seat recently vacated by his wife. Anwar's stated agenda is to overturn the seated government on the issues of corruption and the economy. His one word slogan, "*Reformasi!*" (reform), has recently been joined by the Barack Obama equivalent, "Change!" As they both serve the George Soros fascist agenda, there is little doubt what kind of change they are talking about.

Anwar, by himself, is not much of a threat, given his personal and sexual liabilities, which do not go over well in Islamic Malaysia, but also his open embrace of foreign controllers widely hated in Malaysia. However, Anwar's friends and financial support in the British-linked political circles wield great power—besides Fat Al and neocon Wolfowitz, there's Madeline Albright, the *Wall Street Journal*, the *Financial Times*, and the entire Soros network.

Malaysia, like other developing countries, is nervous. Inflation in food and fuel has hit hard, and export markets are faltering. As elsewhere, the British are taking advantage of the situation to peddle their controlled demagogue.

### **Gunmen Attack APCs Bound for Afghanistan, in Karachi**

Aug. 25 (EIRNS)—Militants in the Pakistani port city of Karachi set fire to two armored personnel carriers bound for U.S. forces in Afghanistan, police said today.

Adnkronos International (AKI) recently reported that Islamist militants had threatened to start attacking supplies bound for foreign forces in Afghanistan after the largest-ever shipment of NATO arms and military supplies arrived in the port.

The shipment of NATO arms and military supplies arrived in Karachi in early August and was to be moved through Pakistan to Afghanistan amid growing concern about the threat from militants in the border region.

Five hundred and thirty containers carrying missiles, armored personnel carriers, aircraft engines, and several other items were ready for shipment.

On Aug. 25, about two dozen gunmen reportedly attacked supplies on a truck that had been parked near a main road since Aug. 18, because of a strike by truck drivers over rising fuel prices.

Officials previously told AKI's Pakistani correspondent, Syed Saleem Shahzad, they were concerned about the fate of the supplies, particularly after the resignation of President Pervez Musharraf and continuing conflict in the border region. "The Taliban-led insurgency has now spread all over the N.W.F.P. (North West Frontier Province) and one wonders who is to arrange the safe transit," an official at the Karachi Port Trust told AKI on condition of anonymity. "Pakistan needs to send [containers] to Kabul and Kandahar through two routes—one through the Torkham border takes 36 hours from Karachi

and the second route to the Chaman border takes around 18 hours from Karachi. Both routes are insecure as the Taliban has recently looted and destroyed many container convoys."

## Africa News Digest

- [Iran To Cooperate with Nigeria on Nuclear Power Technology](#)

### Iran To Cooperate with Nigeria on Nuclear Power Technology

Aug. 31 (EIRNS)—Iran agreed on Aug. 28 to share nuclear technology with Nigeria, to expand Nigeria's disastrously low electricity generation capacity. This agreement, in addition to several other agreements for economic cooperation between the two nations, resulted from the third Iran-Nigeria joint economic commission meeting which opened in the Nigerian capital, Abuja, on Aug. 26. The joint economic commission meetings have been held to consider expansion of economic and trade cooperation between the two nations.

At the beginning of the meeting, Nigeria's Minister of State for Foreign Affairs, Alhaji Tijani Kaura, noted that there are areas of potential cooperation between the two countries which include "nuclear energy for peaceful uses, human capital development and training ... including skills acquisition for small-scale enterprises and agro-allied industries," and called for an action plan for speedy implementation of decisions made at the three economic mission meetings.

Kaura said that Nigeria's need for additional electrical power generation was an urgent matter. The problem has become so severe that much of the country goes without electricity for weeks. This is despite the fact that Nigeria has the seventh-largest gas reserves in the world, estimated at roughly 180 trillion cubic feet, according to Reuters.

Nigeria's electrical output has plunged from 3,000 MW last year, to less than 1,000 MW now, reportedly because of maintenance problems at power stations, according to Reuters. By comparison, South Africa has more than ten times the capacity, with a third of Nigeria's population. The single nuclear-powered electric-power plant that Iran is building near Bushehr, is scheduled to produce 1,000 MW when it comes online next year, more than is being produced in all of Nigeria now, which has a population of 140 million. The Nigerian government considers the lack of electrical power generation a major factor hindering the development of the country.

The Deputy Head of Marketing and Trade of Iranian Ministry of Commerce, Mohammad Ali Zeyghami, led Iran's delegation, and attacked the idea of limiting advanced technology to the developing sector. According to an Aug. 28 Associated Press report, he stated, "Nobody can limit the use of knowledge anywhere in the world," adding, "We not only consider [nuclear energy] an Iranian inalienable right, but also Nigeria's right to use this clean source of energy."

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