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**The Real 'New Bretton Woods'**  
**A Dollar-Based Global Recovery**  
**by Lyndon H. LaRouche, Jr.**

May 1, 2009

The issue to be considered here, is the presently greatest obstacle in the pathway of rallying needed political support for adoption of a readily available economic recovery of the United States, and, thus, potentially, the planet as a whole. The impediment is the still prevalent, stubborn ignorance of the difference between, on the one side, the monetary system of a Europe dominated by imperial London, and, in the opposition, a national-credit system of the type implicit in the U.S. Federal Constitution. For the planet as a whole, a global network of perfectly sovereign national credit systems of the type intended by President Franklin Roosevelt is the only possible defense of the world's economy against this planet's presently accelerating general breakdown-crisis.

**In-Depth articles from EIR, Vol. 36, No. 20**

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## **This Week's Cover**

- **The Real 'New Bretton Woods':**  
**A Dollar-Based Global Recovery**  
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'The issue to be considered here, is the presently greatest political obstacle in the pathway of rallying needed political support for adoption of a readily available economic recovery of the United States, and, thus, potentially, the planet as a whole. The impediment is the still prevalent, stubborn ignorance of the difference between, on the one side, the monetary system of a Europe dominated by imperial London, and, in the opposition, a national-credit system of the type implicit in the U.S. Federal Constitution.' Documentation: FDR vs. Churchill on British imperialism; Alexander Hamilton to Robert Morris on his conception of National Bank and the need for a Constitutional Convention; Paolo Sarpi, the founder of Liberalism and Empiricism; Tony Blair's repudiation of the Westphalia System of sovereign nation-states.

## **Economics**

- **LaRouche:**  
**Obama Has Revived Hitler's Genocide Program**

With the Administration's vow to cut budgets for health care, Medicare, and Social Security, LaRouche warned, 'The Hitler program has been revived by the Obama Administration. This is straight Nazi stuff. It's not a quibble; it's not an interpretation. This is a direct copy of the philosophy of the Nazis. . . . People who condone this are criminals, because they either knew, or should have known, what they are doing.'

- **Save Lives, Save the Nation:**

- **End HMOs and Rebuild the Hill-Burton Hospital System**

The traditional U.S. system of health-care delivery, which was based on the 1946 Hill-Burton Law's mandated regional networks of hospitals per capita, is falling apart, because of the economic crisis, and 'managed care'/HMO swindles. Anybody who truly wants to 'cut healthcare costs' should shut down the HMOs, with their enormous, for-profit, useless administrative costs.

- **Nazi Precedent for Obama Health Plan:**

- **It's Now Time To Insist— 'Never Again!'**

After participating in the prosecution at Nuremberg of 16 Nazi officials for their role in the mass extermination of those considered 'useless eaters,' Dr. Leo Alexander identified the 'philosophic principle' which led to those atrocities: 'rational utility.' This led to the designation of large portions of the population for euthanasia, because their care was too expensive or they were otherwise 'undesirable.' Such utilitarianism has been encroaching for decades in the United States, and is now writ large in the health-care policies of the Obama Administration.

- **Obama's Nazi Doctors and Their 'Reforms'**

Thumbnail profiles of the Obama team and its advisors: Dr. Ezekiel Emanuel, Joel Kupersmith, Nancy-Ann DeParle, Peter Orszag, Richard Thaler, and Margaret Battin.

- **Breaking News**

## Editorial

- **Dragging Their Feet for Hitler**

## This Week's News

## U.S. Economic/Financial News

### **Update from the Epicenter of Collapse: California**

### **Obama-Orszag Scheme To Finesse IMF Funding**

#### **Update from the Epicenter of Collapse: California**

May 13 (EIRNS)—California's export figures confirm an acceleration of the overall economic disintegration. The figures from March 2009 show an overall 20.9% decrease, compared with March 2008. The total value of exports passing through ports in California fell to \$9.8 billion, compared to \$12.4 billion in March 2008. A steep drop in manufacturing exports led the way, as they were down 24.8%. These figures underline the problem of a catastrophic decline in revenue to the state, leading to an additional \$21+ billion shortfall—after Governor Schwarzenegger and the state legislature had supposedly addressed a \$40+ billion shortfall.

The collapse of revenues has far exceeded the forecasts of any of the economists used by the state, thus discrediting economists in the government, the academic institutions, and the private sector. Their forecasts have been repeatedly wrong, disastrously so. These are the same economists who were gleefully declaring the mortgage bubble a new economic paradigm, and missed completely the blowout of that bubble, not to mention the dot-com bubble before it. Only LaRouche PAC, the political action committee headed by Lyndon LaRouche, has been consistently right in its forecasts for California.

In a recent statement, LaRouche declared that the state is bankrupt. Instead of bailing out bankrupt financial institutions, President Obama should provide tens of billions of dollars of Federal credit to California, to fund essential infrastructure projects, which will create jobs. Brain-dead financial institutions, mortgage companies, and insurance companies, instead of being propped up to look as if they were still functioning, should be put through bankruptcy reorganization, with their bad assets frozen.

## **Obama-Orszag Scheme To Finesse IMF Funding**

May 12 (EIRNS)—Office of Management and Budget director Peter Orszag has taken the lead on working the additional \$100 billion in IMF funding President Obama agreed to at the London G20 Summit through—or behind the backs of—Congress—in addition to a \$108 billion increase in the U.S. IMF quota.

According to a report in *Politico*, Orszag has tapped all his old contacts at the Congressional Budget Office in the process, even calling and attending a meeting (last month), something he never did when at the CBO. Obama wants all the wheels greased before submitting a formal request, reportedly even going to the extent of calling his friend, Senate Appropriations Committee chairman Daniel Inouye (D-Hi.), about adding the money to a wartime spending bill coming up for a vote May 14.

*Politico* notes that funding the IMF has always been problematic, evolving into a Byzantine routine only an accountant could understand. IMF contributions are considered as "exchanges of assets," since the U.S. supposedly gets Special Drawing Rights in return for funds, which, therefore, are not a charge against the budget. However, in these days of financial collapse and deficit bulge, questions about the "worth" of the SDRs are being heard more clearly.

## **Global Economic News**

### **China Export Collapse Taking Down Internal Economy**

### **Philippines Supreme Court Upholds Generic Drug Imports**

### **German Steel Output Halved in Past 12 Months**

### **Will France Admit That Its Banking System Is Also Bankrupt?**

### **Pecora Commission in The Netherlands**

### **Latvia Fights Back Against Financial Locusts**

## **China Export Collapse Taking Down Internal Economy**

May 12 (EIRNS)—China's external trade continued to crash for the sixth month in a row, as demonstrated by figures for April just published by the General Administration of Customs. Exports fell 22.6% from one year ago, to US\$92 billion, a sharper fall than the 17% decline in March. Imports were also down by 23%, although this reflects to some degree the fall in commodity prices from a year ago.

China's Ministry of Commerce today warned that the collapse of external markets could undercut China's attempt to expand its domestic investment and consumption for a long period to come, Xinhua reported. The "grim" impact of the trade contraction could affect "all sectors" of the economy, the ministry said. Stabilizing external demand would be vital for the 80 million people whose jobs depend on foreign trade, 60% of whom are migrant rural workers, the ministry statement said. From figures for the past 30 years, the ministry calculated that each 1% point fall in exports would mean a 0.68% fall in consumption and a 0.74% fall in domestic investment. "If external demand remains weak, pressure will move from downstream to upstream, and from production to investment," the statement said.

Much is being made of a big increase in Chinese crude oil imports in April, but the 13.6% increase is in relation to a sharp fall in imports in April 2008. China's oil imports were way down the first three months of this year, despite lower prices, and the April increase could also be a result of this earlier slack.

On April 27, Commerce Minister Chen Deming, speaking on a visit to Washington, said that, while some Americans were projecting that the impact of the financial crisis on China has bottomed out, this assessment was wrong. In fact, "the impact that China suffers this time is huge, or even greater than in the Asian financial crisis ten years ago," Chen said. China is suffering "growing downward pressure on the economy," as well as "serious" trade declines, a big slowdown in industrial production, and "growing employment difficulties." Chen stressed that China's foreign trade "has witnessed negative growth five months in a row since last November."

## **Philippines Supreme Court Upholds Generic Drug Imports**

May 11 (EIRNS)—The Philippines Supreme Court stopped the prosecution of a Filipino businessman for importing generic versions of important pharmaceutical drugs and did so expressly on humanitarian grounds.

The Philippines Counterfeit Drug law forbids the importation of any registered, patented drug unless it is from the original manufacturer, calling any such generic version of a drug "counterfeit." The Court said it was "absurd" that the results of this ban would "deny the basic decencies of humanity," according to the *Philippines Inquirer*. The Court continued, "For a law that is intended to help save lives, [the drug counterfeit law] has revealed itself as a heartless, soulless legislative piece."

The drugs in questions are four antibiotics, whose patented, brand name versions are products of Glaxo SmithKline. There are multiple manufacturers of generic versions of these drugs from many sources, at prices far, far below that of the Glaxo SmithKline branded versions. There appears to be nothing in the ruling that limits the scope of the judgment to just these drugs, however.

## **German Steel Output Halved in Past 12 Months**

May 11 (EIRNS)—From April 2008 to April 2009, the output of the steel industry in Germany shrank by 53.1%, mostly because of a collapse of orders from the domestic machine-building, automobile, shipbuilding, and construction industries. More than half of the 94,000 steel workers are on short-work, already, with little positive expectations for the future, as shown by the drop in the automobile industry, one of the main steel consumers, in March—by 32.2% compared to March 2008.

Having no forward-oriented concept at hand, the managements of the steel industry companies prefer cuts in production, jobs, and wages, with Thyssen-Krupp being in the forefront of massive layoffs, in the range of 5,000, of which 2,000 would occur in the coming weeks and months. Throughout Germany, Thyssen-Krupp workers took to the streets in protest, with today's action by 1,500 shipbuilders in Emden being one the largest actions.

## **Will France Admit That Its Banking System Is Also Bankrupt?**

May 15 (EIRNS)—The French government and banks have been very careful not to do say or do anything which would discredit the idea that "the French banking system is doing better than the rest," which has become their main marketing argument. It is becoming increasingly difficult to maintain this fiction, however. It was revealed yesterday, that Natixis, a joint subsidiary of two large savings banks, Caisses d'Epargne and Banques Populaires, revealed first-quarter losses of Eu1.8 billion this year, which adds up to Eu4.7 billion for the past 12 months. These losses come as a result of depreciations in their gigantic toxic asset portfolio of Eu36 billion, which was placed in a kind of "bad bank" in December.

The scandal is, that 2.5 million small shareholders, people who had their savings in those banks which were considered among the most seriously troubled, were led to place them in Natixis, which in reality was one of the most aggressive investment banks in Paris. The stock price, in the meantime, went from Eu20 to Eu1 per share.

While Natixis announced that it will raise Eu3.5 billion by June to bring its reserve ratio to a high, 9.4%, level, everybody is wondering how long this will last. The government is apparently considering a financial guarantee mechanism for the bank's toxic assets, or the creation of a "bad bank." According to *Le Figaro*, the other large banks are opposing the idea of creating "bad banks," because they fear the French government wants to get them to foot the bill for Natixis, as well.

## **Pecora Commission in The Netherlands**

May 12 (EIRNS)—The commission established by the Parliament of The Netherlands to investigate the causes of the financial crisis, begins its work this week. The commission bears similarities to the 1932-34 U.S. Pecora Commission, although there are significant differences. It is chaired by Jan De Witt of the Socialist Party, noted for its opposition to the European Union's Lisbon Treaty and the neoliberal economic policies of the European Commission.

In a discussion with *EIR*, Dutch Parliamentarian Ewout Irrgang, the Socialist Party's spokesman on finance, and representative on the economic-finance committee in Parliament, explained the powers of the commission. This is an investigative committee that has the power to call witnesses to testify. At this point, witnesses will not be put under oath, but that could change.

The investigation will have two phases. In the first six months, it will probe the causes of the financial crisis from the standpoint of the failure of current laws and regulatory authority, or lack thereof, respecting the financial sector. In the second six months, it will investigate how the crisis was handled.

Irrgang expressed the hope that the investigation would serve as a basis for drafting new laws and regulations. Unlike the original Pecora Commission, which had a very good idea of how to deal with the economic crisis, this investigation takes place in a Dutch government which, like all European governments, has no idea of how to deal with the crisis.

## **Latvia Fights Back Against Financial Locusts**

May 12 (EIRNS)—Latvian Prime Minister Valdis Dombrovskis, on May 8, attacked the rough methods which Swedish banks that dominate Latvia, are using to freeze accounts of businesses. "Almost all money flows are directed to debt payments without any consideration of tax payments and similar matters," he said. The Latvian Financial Control Authority is looking into these methods of the banks, as well as other complaints. Dombrovskis was speaking on national Swedish News Agency TT, and, on May 11 in Stockholm, he reiterated his critique of the Swedish banks.

In a press briefing with Swedish Prime Minister Fredrik Reinfeldt, Dombrovskis said, "For someone to borrow

irresponsibly, there has to be someone who lends irresponsibly, and here is where the Swedish banks come in."

Latvia is now undergoing a fascist, IMF austerity program. The goal of the program is to keep the peg of the national currency, the lat, to the euro, because more than 80% of the domestic debt is in euros. A devaluation of the lat would lead to massive loan failures and losses, enough to bankrupt the Swedish banks. The Swedish government has paid out \$1 billion and raised most of the IMF package of \$8 billion. Conditionalities include cutting state employees' salaries by 35% and closing half the hospitals by 2013. The new IMF agreement allows for a deficit of 7%, up from the previous allowance of 5%.

In the first quarter, Latvian GDP crashed 18%, industrial production 22%, and retail trade 34%. These figures caused a representative of another "financial locust" foreign bank, Lars Christensen, chief analyst of Danske Bank, to say: "This is worse than what we could imagine in our worst fantasies. Latvia will have no chance to limit the deficit to 7% of GDP. We think it will be more than 15%."

On the current IMF program, Christensen said: "It is not enough. They have to renegotiate with IMF totally," *Dagens Nyheter* reported today.

The paper LaRouche movement in Sweden has issued a call for "Pecora" hearings in the Swedish Parliament, on the irresponsible practices by the Swedish banks in the Baltic states, and the whereabouts of the toxic structured and securitized debt today.

The Scandinavian media failed to report this, or the more sane approach by German Chancellor Angela Merkel. When Dombrovskis met Merkel April 30 in Berlin, she said, according the official Latvian government press release: "Dr. Merkel expressed her position that it seems quite impossible that Latvia could fulfill the commitments undertaken under the agreement concluded with its international lender at the end of the previous year in view of the current economic situation when the recession amounts to 12% of the GDP compared to the recession of 5% as anticipated at the end of the previous year. The German Chancellor emphasized that the agreement is unrealistic and Latvia cannot be requested to comply with it, taking into consideration the changes in Latvia's economic situation. Dr. Merkel noted that Germany will support a reasonable solution and changed conditions for an international loan to Latvia."

## United States News Digest

### Congressional Fight Shaping Up Over IMF Funds

### Craddock: NATO Could Collapse in Afghanistan

### Soros's 'Needleman' Loves Arnie—and Why Shouldn't He?

### Will Harman Be Prosecuted for Aiding AIPAC Spying?

### DoJ Revives KBR/Halliburton Case: Will Cheney Be Implicated?

## Congressional Fight Shaping Up Over IMF Funds

May 15 (EIRNS)—House Republicans are threatening a revolt, if funding for President Obama's promise at the London

G20 summit, for additional IMF funds, is included in a war appropriation bill. Yesterday, the House passed a war-spending bill for the Afghanistan and Iraq wars, with 51 Dems and 9 GOP opposing—but without the provision for increased IMF funding, which is only in the Senate version, which is expected to come to a vote next week.

The *Politico* reports, "The President's late-breaking request for new IMF funds—only sent to the Capitol late Tuesday night—is the big wild card in the mix," and it notes that House GOP members are threatening to revolt if the conference bill comes back with the IMF funds included. "A war supplemental bill ought to be about war funding," said Rep. Mike Pence (R-Ind.), chairman of the House Republican conference.

Fox News quotes an aide to Sen. Jim DeMint (R-S.C.) as saying: "Forcing taxpayers to borrow another \$100 billion from China to bail out foreign countries makes no [sense] when we're already facing record debt and millions of Americans are losing their jobs here at home." The aide said DeMint would offer an amendment to strip out the IMF funding from the Senate bill.

## **Craddock: NATO Could Collapse in Afghanistan**

May 12 (EIRNS)—NATO Commander Gen. Bantz J. Craddock delivered an extremely blunt assessment of the status of NATO and the Afghan mission, in a speech before the Atlantic Council yesterday. Craddock, who was the target of a series of news leaks after he pushed to expand the NATO Afghan mission to the targeting of narcotics traffickers, is scheduled to retire from the U.S. Army in July, so his remarks were considered to be an end-of-tour assessment.

Craddock warned that the situation on the ground in Afghanistan is still in jeopardy, and that the insurgents are still making gains in the South and East of the country. He stated categorically that the narcotics trafficking must be crushed if there is to be any kind of military success, warning that NATO has so far been reluctant to engage in improving the government and the economy of the country two of the three vital parts of any successful strategy. On the narcotics front, Craddock said, the amount of money generated from the illegal drug trade, inside Afghanistan, has soared to an estimated \$4 billion a year (up from \$1 billion just a year or two ago), and that the bulk of these funds goes to arming the insurgents, hiring soldiers, and recruiting suicide bombers, as well as corrupting the entire political class.

The general also reported that there is no coherence to the NATO operations, and that individual NATO members are building local zones of operation inside parts of Afghanistan, but are not responsive to requirements in any other parts of the country. He also made a blanket declaration, that "the political leadership of NATO is AWOL" when it comes to coordinating any strategy for Afghanistan.

Craddock painted an equally harsh picture of the overall state of the Alliance, warning that this year's priority is devising a new Strategic Concept doctrine, which has not been revised since 1999. NATO badly split over the issue of how to respond to Kosovo's unilateral declaration of independence, and, worst of all, the 21 NATO member states that are also part of the European Union's integrated military force, are conflicted over how to deploy limited resources, between their NATO obligations and their EU obligations. So far, the Europeans have gone with EU as their priority, as shown by the fact that the EU force changed its rules of engagement rapidly, in response to the recent piracy off the Somali coast, whereas NATO was only able to change the rules months later. In effect, Craddock, at least, was strongly implying that the European NATO members could split off and build their own European unified force, and let NATO go out of business.

## **Soros's 'Needleman' Loves Arnie—and Why Shouldn't He?**

May 12 (EIRNS)—The top spokesman and policy hit man for the world's leading drug pusher, George Soros, on May 10 celebrated California Gov. Arnold Schwarzenegger's May 5 call for a full debate on the "merits" of drug legalization. Ethan Nadelmann, the executive director of Soros's Drug Policy Alliance, told *themoderatevoice.com*, "The fact of the matter is,

Arnold Schwarzenegger is a nationally recognized figure," and that "it's crucially important to have elected officials speaking out on any controversial subject in order to give it legitimacy."

Nadelmann, who favors the full legalization and taxation of drugs, argues that the "single most important thing driving it [legalization] now" is the financial crisis. Like every other utterance of Needleman's, this is also pure sophistry: the amount of "tax revenues" involved are orders of magnitude less than the budget deficits which the global financial meltdown is producing, as the situation in Arnie's California itself shows.

The entire Soros/Needleman strategy depends on *behavior modification*, by getting people to first tolerate a discussion of drug legalization, and then proceed to accept legalizing per se. "I think this is going to be more of an incremental process where we find ways to remove more and more of this from the black market," Needleman said hopefully. He also expressed optimism that the Obama Administration can be pushed back on track with the Soros legalization policy.

## **Will Harman Be Prosecuted for Aiding AIPAC Spying?**

May 11 (EIRNS)—The Justice Department still has an open case on Rep. Jane Harman (D-Calif.), for her involvement in protecting Israeli spy operations linked to American Israel Public Affairs Committee (AIPAC), and several informed Washington sources have indicated to *EIR* that Harman has been warned that she could be prosecuted. Even though two AIPAC functionaries—Steve Rosen and Keith Weissman—had spy charges dropped against them on April 22, AIPAC's spying operations are still being probed, especially since the Israeli operatives who ran the operation to solicit and receive stolen classified documents from Pentagon official Larry Franklin, now have top positions in the Netanyahu government.

A highly informed intelligence source told *EIR* that the real problem with the Rosen-Weissman case is that AIPAC *should have* been the target of the indictment, not just these employees.

Now Harman, who is a central figure in the Congressional faction that opposes the Hillary Clinton/George Mitchell policy track, could be on the hot seat.

On May 11, retired military intelligence and special forces officer Patrick Lang reported on his website that "Jane Harman had a talk with the Justice Department last week. It began with a rant on her part as to the impudence of the prosecutors in questioning her patriotism and ended on a much humbler note after they explained to her that her reported belief that Israel's interests are the U.S.'s interests is not a shield from prosecution."

This coheres with reports received by *EIR* that Harman not only railed against the DOJ for the wiretap, but took a "So what, Israel's our friend" position when told that it was not her phone, but the phone of a Mossad agent that was monitored. But Harman's cavalier attitude quickly ended when she was told that Israel's spies were using their U.S. "friendship" to steal and then funnel top secret information to the Soviet Union, resulting in extensive damage to U.S. national security. The interviewer cited the case of Marcus Klingberg, who had been a specialist in biochemical warfare, and who had received some 20,000 documents from Fort Detrick about U.S. chemical warfare programs. Jonathan Pollard, the Israeli spy arrested at the gates of the Israeli Embassy in 1985, had also stolen thousands of documents for Israel, which also then ended up in the hands of the Soviets.

The Pollard story and the Israeli modus operandi was detailed in the 1986 *EIR* Special Report, "Moscow's Secret Weapon: Ariel Sharon and the Israeli Mafia." That same Sharon spy apparatus now belongs to the fascist Netanyahu circles.

## **DoJ Revives KBR/Halliburton Case: Will Cheney Be Implicated?**



May 11 (EIRNS)—The U.S. Department of Justice is currently seeking the extradition from the U.K. of two Britons involved in the KBR bribery scheme for Nigerian contracts, running from 1995 to 2004; Dick Cheney was the CEO of Halliburton from 1995 through 2000, and KBR was acquired by Halliburton in 1998.

In 2004, both the British and French press reported that Cheney might be indicted as a result of the French investigation of the bribery scheme.

KBR's former CEO Jack Stanley, reportedly a close friend of Cheney, pleaded guilty to conspiracy to violate the Foreign Corrupt Practices Act last September; Stanley is said to be cooperating with the DOJ, and he won't be sentenced until next August. On Feb. 11, 2009, KBR pled guilty to FCPA charges and agreed to pay a \$400 million fine, and also settled a civil complaint filed by the SEC.

On March 5, an indictment was unsealed against two Brits: lawyer Jeffrey Tesler, and former KBR sales agent Wojciech Chodan; the DOJ announced that it is seeking their extradition for trial in Houston. An extradition hearing for Tesler was to be held May 9 in a London court.

## Ibero-American News Digest

### London on Mexico Swine Flu: No Big Deal

### Ibero-American Webcast on Influenza, Globalization

#### London on Mexico Swine Flu: No Big Deal

May 11 (EIRNS)—The London *Economist*, voice of the City of London's Malthusian financiers, isn't worried about swine flu in Mexico. Why *did* the Calderón government go to all that trouble to protect its citizens, the magazine asks in its May 9 edition, from "what has turned out thus far to be a fairly mild bug?"

While complaining about the "tardiness" with which the government began to test samples, delaying acquisition of the necessary technology for at least a week, the British Empire's mouthpiece quotes public health professor at Mexico's National Autonomous University (UNAM), Laura Moreno Altamirano, who argues that had the samples been analyzed immediately, "they would have known that the virus wasn't so aggressive, and they wouldn't have had to implement all these measures."

A study just completed by the World Health Organization's Pandemic Assessment Collaboration says otherwise, warning that the current swine flu epidemic does have pandemic potential and is likely to be comparable to 20th-Century pandemics, at least in terms of its spread. The study, published in the May 11 edition of *Science*, supports the decision of the WHO to declare a Phase 5 alert, noting the large number of unknowns related to the virus, particularly its virulence and how it spreads.

The WHO researchers estimated that 23,000 individuals—and possibly as many as 32,000—had been infected in Mexico alone by late April, with a death rate of about 0.4%. Dr. Anne Schuchat, interim deputy director for science and public health programs at the U.S. Centers for Disease Control and Prevention (CDC), warned that the 2,618 confirmed cases in the U.S. could be just the tip of the iceberg. Many people who become ill don't seek medical attention, and are never tested for this strain of flu, so "the numbers we are reporting are a minority of the actual infections that are occurring in the country."

Oscar Mujica, an analyst with the Pan American Health Organization, told the *Washington Post* that had Mexico not taken the measures it did, the virus would have killed 8,605 people and put more than 30,000 in the hospital.

## **Ibero-American Webcast on Influenza, Globalization**

May 8 (EIRNS)—Yesterday's Ibero-American webcast on "Globalization Unleashed the Influenza Pandemic; LaRouche Knows How To Eliminate It," featuring *EIR* Ibero-American editor Dennis Small, speaking from Virginia, and Jonás Velasco Alonso of the LaRouche Youth Movement in Mexico City, is now archived on *EIR*'s Spanish-language website ([www.larouchepub.com/spanish](http://www.larouchepub.com/spanish)).

The presentation and ensuing discussion drew audiences from Mexico, Argentina, Colombia, Bolivia, and Ecuador, keenly interested in tracking down the causes of the international flu outbreak. The webcast demonstrates the underlying causes of the influenza outbreak: first, globalization, and second, the axioms of popular opinion. The program then elaborates on the American System of political and economic thought, represented today as a international political fighting force by Lyndon LaRouche and his youth movement, as contrasted with the oligarchic free-trade outlook which created today's pandemic conditions.

## **Western European News Digest**

### **Private Oligarchical Funds and Nazi Health Policies**

### **Attali: Pandemic Could Open Door for World Government**

### **German Law Expert Warns vs. Lisbon Treaty**

### **Health-Care Disaster in Germany, After Years of 'Reform'**

### **Resistance to Privatization of British Health System**

### **Peter Orszag's Anglophile Brother**

## **Private Oligarchical Funds and Nazi Health Policies**

May 13 (EIRNS)—Among the various private foundations in Europe which have been pushing for Nazi health and pension policies, a key one is the Rodolfo De Benedetti Foundation. The RDBF is mainly focussed on privatization of the pension system and liberalization of the labor market, but its director, economist Tito Boeri, also runs other operations which dictate policies on health. Boeri is presently committed to promote behavioral economics on a large scale, as "scientific director" at the upcoming international Economics Festival in Trento, Italy.

Financier and publisher Carlo De Benedetti, paterfamilias of the clan, is chairman of RDBF. De Benedetti has been a business partner of the Rothschilds, as well as of George Soros. Every second article/initiative of the RDBF is done together with the London-based Center for Economic Policy Research. For instance, RDBF publishes papers on health policy written by CEPR expert Carol Propper. Other articles on medical expenses are written by the Chicago duo Mariacristina Nardi and Eric French, together with Albany-based professor John B. Jones.

RDBF director Boeri runs an online journal called Lavoce.info, which has an international edition called Voxeu.org that publishes free-market economists of the Fabian variety. Lavoce and Vox push cost-cutting policies in the health sector, called Basic Assistance Levels, which is the quantity of national health assistance affordable by budget-dictated considerations. In the case of Italy, Lavoce rejoices that in 2006, under such policies, hospital beds per capita were cut from 5 to 4.5 per thousand inhabitants; however, it complains, hospital personnel was not reduced! Recently, since Italy's health system is run at regional level, Lavoce proposed that those regions that do not respect budget caps should have their sovereignty taken away by the central government, which then can implement "unpopular cuts."

### **Attali: Pandemic Could Open Door for World Government**

PARIS, May 13 (EIRNS)—In his column in the May 3 issue of French weekly *l'Express*, one-world lunatic and former advisor to President François Mitterrand, Jacques Attali, as is his practice, indicates the crux of the oligarchy's ideal secret plan for the onrushing pandemics. In short, he says that while so far the financial crash has failed to create the opportunity for a one-world government, pandemics might succeed!

"History teaches us that mankind only evolves significantly when it's dead scared: It then mobilizes defense mechanisms, sometimes intolerable (singling out scapegoats and giving birth to totalitarianism); sometimes futile (to find distraction); sometimes efficient (therapeutic ones that discard eventually all the older moral principles). Once the crisis is behind us, it [mankind] transforms these mechanisms to make them compatible with individual freedom, and to inscribe them into a democratic health policy. The pandemic could provoke such a structuring fear."

Even if the pandemic should turn out to be mild, as one would hope, says Attali, we should learn the lessons before the next one hits. "Prevention and control mechanisms and procedures for the equitable distribution of drugs and vaccines should be created. Therefore a world police should be created, and a world inventory and therefore a world taxation. One would arrive then, far faster than for merely economic reasons, at the grounds of real world government."

### **German Law Expert Warns vs. Lisbon Treaty**

May 16—Prof. Dietrich Murswiek, teacher of Public Law at the University of Freiburg and attorney for Rep. Peter Gauweiler in a constitutional challenge against the Lisbon Treaty at the German Supreme Court, warned that the Lisbon Treaty has an "unnoticed flaw of construction," which will make the European Court of Justice, currently an arbitration court, the Supreme Court of the European Superstate, and degrade national constitutional courts to the level of state supreme courts in a federal state. Murswiek's action is intended to put pressure on the German Constitutional judges, who already heard arguments by the challengers and by the defendants (the German government) in a hearing at the end of March, and are expected to pronounce a ruling before the end of May.

In a long paper published in the *Neue Zeitschrift für Verwaltungsrecht*, and announced in an article published in the *Süddeutsche Zeitung* on April 17 under the headline "The End of the Constitution," Murswiek writes: "Sometimes it is enough to alter a single word to give a radically new meaning to jurisdiction of the Court of Justice of the European Union ... the formula 'this Treaty' is to be replaced by 'the Treaties.' The consequence of this amendment is that the Court will have comprehensive jurisdiction to find that member states have failed to fulfill an obligation under the EU Treaty."

### **Health-Care Disaster in Germany, After Years of 'Reform'**

May 14 (EIRNS)—Co-thinkers of Peter Orszag in Germany have created quite a disaster, with 16 years of "cost-capping reform" (*Kostendeckelung*) modelled on the U.S. example of HMOs. As the public services labor union, ver.di points out in a review of the "reform," this cost-cutting policy has killed more than 100,000 jobs in hospitals and other institutions of the

health sector.

The "reform" has furthermore reduced health infrastructure throughout entire regions in Germany, especially in the East during the 1990s; worse, it has transformed the health-care system, originally designed to provide high-quality services to every citizen, irrespective of standards of commercial profitability, into a system dominated by that very profitability. Hospitals have thus been turned into commercial operations opting for the highest revenue, revenue for shareholders of privatized clinics especially, rather than serving as institutions for the citizens.

With practicing doctors, the system has introduced quotas for specific treatments, which means that once a doctor has treated a certain number of patients having a particular disease, he cannot treat any more patients with that illness, unless he shoulders the cost himself. As well, preventive health check-ups are no longer paid by the health insurance.

## **Resistance to Privatization of British Health System**

May 13 (EIRNS)—Britain's new political anti-eurocrat party, No2EU-Yes to Democracy, warned today that the country is "sleepwalking into the wholesale privatisation of the NHS" (National Health System), after the European Parliament approved the extension of EU "internal market" rules to cover healthcare services, paving the way for private companies to take over the UK's national health service.

No2EU is warning that this EU diktat is the biggest single threat to the founding principles of the NHS as a service "free at the point of need regardless of the ability to pay," since it was set up by Aneurin Bevan and the postwar Labour Government in 1948. The approval of the Commission's Health Services Directive has been bulldozed through despite assurances from the Party of the European Socialists, which includes the British Labour Party, that they would "defend public services." Come the crunch they abstained on the vote, without any explanation, allowing it to be bundled through.

No2EU is calling on everyone who supports the principle of a public National Health Service to turn out and vote for them on June 4. The party will hold a national protest rally in London, on June 1.

## **Peter Orszag's Anglophile Brother**

May 13 (EIRNS)—J. Michael Orszag, brother of U.S. OMB director Peter Orszag, lives in Great Britain where he works for Watson Wyatt Partners, a global actuarial firm which has been a consultant for Her Majesty's Government's social policies since 1887. Mike Orszag specializes in all the nasty "reforms" of the last two decades, including pension reform, labor policy reforms, especially the "reform" of the unemployment benefits system, and reforms of health insurance and medical benefits systems. It all appears to be in the same spirit as his "behavioral economist" brother Peter.

He has written and co-authored studies with other authors, which have been financed by the London-based Center for European Policy Research which *EIR* has exposed as a key promoter of behavioral economics, but more broadly on promoting neo-liberal economic policies throughout Europe for the benefit of the Anglo-Dutch financial oligarchy. It maintains a network of over 700 fellows placed at universities, institutes, central banks, governments, and the European Commission. It is financed by European Commission, the European Central Bank, the Bank of England and most of Europe's other central banks, as well as 33 private financial institutions, including Credit Suisse, Barclays, BNP Paribas, UBS, and Lloyds TSB.

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

## Russia-Afghan Talks Focus on Dope Fight, Reconstruction

## LaRouche Russian-language Publications Spread

### **Russia-Afghan Talks Focus on Dope Fight, Reconstruction**

May 14 (EIRNS)—A delegation of officials from Afghanistan is visiting Moscow, timed with the 90th anniversary of the establishment of Soviet-Afghan diplomatic relations in 1919. The highest-ranking official in the delegation, second Vice President Karim Khalili, took part in a May 13 session of the Russian State Anti-Narcotics Committee's working group on Afghanistan, which was the first time an Afghan delegation had done so. Khalili heads the Hezb-e-Wahdat (Unity) party, which is close to Iran. He is accompanied by Gen. Khodaidad, Afghanistan's minister for combatting narcotics trafficking; Sai Ishak Gelani, the deputy head of the Afghan Parliament's International Affairs Commission; Presidential advisor on nationalities policy Wahidullah Sabaun; Presidential candidate Abdul Ali Seraj; and other members of Parliament, businessmen, and scholars.

Russian state TV Vesti ran a six-minute segment on the session, featuring statements by Khalili and Russian Federal Anti-Narcotics Service head Victor Ivanov on the need for urgent joint action to shut down the flow of heroin from Afghanistan. Ivanov emphasized that the surge in dope production coincided with NATO's arrival in the country, while Khalili put the matter in terms of the dope-terrorism link. Since the beginning of the year, Ivanov has been calling for a shift to substantial Russian-American cooperation against dope production in Afghanistan, but this emphasis in his public statements has faded in recent weeks, in the absence of a decisive response from the U.S.A.

A second event for the delegation was today's Russia-Afghanistan Forum, announced as the launch of a "strategic dialogue" between Moscow and Kabul. Its main organizer is the Institute for Demography, Migration, and Regional Development, whose head, Yuri Krupnov, called, in today's *Moscow Times*, for a "Marshall Plan" approach to the large-scale economic development of Afghanistan. As in the IDMRD's pamphlet "Russia's Policy Will Determine the Path to Peace in Afghanistan" (excerpted in *EIR*, Feb. 27, 2009), Krupnov called for the Russian government to pursue a policy of "exporting development," as against "the bankrupt doctrine of 'exporting democracy,' " promoted from Washington.

Victor Ivanov, in his address to the Forum today, used similar language, saying that "Afghanistan 'critically requires a Marshall Plan.' " RBC.ru reported that Ivanov called for Russia to engage in reconstructing Soviet-built infrastructure and industry in the country, while Afghan Senator Kamar Khosti told RBC, "We need Russia to help rebuild destroyed facilities and roads in Afghanistan, which were built by Soviet specialists." Ivanov also demanded that foreign forces present in Afghanistan take part in physically destroying the narcotics industry—plantings, laboratories, and shipping capacities.

### **LaRouche Russian-language Publications Spread**

May 16 (EIRNS)—Lyndon LaRouche's April 23 article, "Soon, Hyperinflation," continues to be at the center of hot debate in Russia, as reflected in the publication of its Russian translation on 30 different websites and blogs over the past 10 days. The article also appeared in the May 20 issue of the newspaper of the Progressive Socialist Party of Ukraine.

Other Russian outlets are translating material from LaRouche and Helga Zepp-LaRouche, as well as articles from *EIR*. Among the latest:

\* BFM.ru, a major economic news outlet, yesterday published a Russian translation of Helga Zepp-LaRouche's recent interview with German economist Prof. Wilhelm Hankel, on the need for a "good bank," rather than "bad banks."

Published in *EIR* of May 1, this interview leads with the threat of hyperinflation. An earlier interview of Hankel by Zepp-LaRouche was one of BFM.ru's most-read publications ever.

\* Inoforum.ru, a foreign press translation and discussion forum, has translated the "Dialogue with LaRouche" on the Nazi doctors brainwashing President Obama, from *EIR* of May 15.

\* Two LPAC-TV videos on American-system infrastructure development vs. the British Empire, released by LaRouche PAC with Russian voiceover, are being viewed by hundreds of people on the RuTube Internet channel. They are "NAWAPA-PLHINO: The Future of the Americas" and "The Future of Africa." Viewers have begun posting links to them in various online forums.

## Southwest Asia News Digest

### ElBaradei: It Would Be Insane To Attack Iran

### King Abdullah Warns Against a New Middle East War

### UNSC Passes Russian Proposal for Palestinian State

### Abdullah Tells Netanyahu To Work for Peace

### Syria Critical of U.S. Decision To Renew Sanctions

### Mitchell Planning Visit to Syria

## ElBaradei: It Would Be Insane To Attack Iran

May 17 (EIRNS)—"It would be completely insane to attack Iran," said Dr. Mohamed ElBaradei, chief of the International Atomic Energy Agency, in an interview with the German magazine *Der Spiegel* released May 16. "That would turn the region into one big fireball, and the Iranians would immediately start building the bomb—and they could count on the support of the entire Islamic world." ElBaradei has repeatedly said that Iran does not have a nuclear weapon, and this is important since all the UN Security Council resolutions are based on the reports of the IAEA. He also said that Iran should "grasp the open hand" that Obama has offered, and proceed with talks on the nuclear program. He also suggested that there is a good possibility of a "freeze for a freeze," in which Iran would not increase the number of centrifuges producing low-enriched uranium for nuclear reactors, and the West would freeze sanctions.

On the eve of Israeli Prime Minister Benjamin Netanyahu's first meeting with President Obama May 18, there is a lot of chatter about the possibility of an Israeli strike against Iran. But, in an unusual statement, former Israeli Ambassador to the U.S. Danny Ayalon, now the Deputy Prime Minister, said in a speech delivered in Israel that Iran does not yet have a bomb, and that a nuclear weapon "can be stopped through diplomatic effort." He added, "Iran is a very weak country. They would not withstand real sanctions. Their banks and shipping companies are vulnerable. If the world would just handle them in a tough manner, imposing sanctions, then maybe we would not need military action."

Obama demonstrated his ambivalence in an interview with *Newsweek*, where he emphasized his determination to end the last 30 years of failure with Iran by pursuing talks, but then added, "I don't think it is my place to determine for the Israelis

what their security needs are."

## **King Abdullah Warns Against a New Middle East War**

May 11 (EIRNS)—Jordanian King Abdullah II, in an interview in *The Times* of London, warned that if President Barack Obama's peace effort fails, the Middle East will have a new war within 12 to 18 months. He said Obama's policy is for a comprehensive peace agreement among Israel and the Palestinians, Syria, and Lebanon.

He said the plan could be announced after Obama meets with Israeli Prime Minister Benjamin Netanyahu, Palestinian President Mahmoud Abbas, and Egyptian President Hosni Mubarak, or even at the June 4 address he is expected to make in Egypt.

"What we are talking about is not Israelis and Palestinians sitting at the table. But Israelis sitting with Palestinians, Israelis sitting with Syrians, Israelis sitting with Lebanese." Part of the peace deal would be the opening of relations with the world's 57 Arab and Muslim countries.

Abdullah said that what comes out of Obama's meeting with Netanyahu would be "critical," but added: "If there is procrastination by Israel on the two-state solution, or there is no clear American vision for how this is going to play out in 2009, then all the tremendous credibility that Obama has worldwide and in this region will evaporate overnight if nothing comes out in May. All eyes will be looking to Washington in May. If there are no clear signals and no clear directives to all of us, then there will be a feeling that this is just another American government that is going to let us all down."

He warned that if concrete peace talks are not held within six months, the alternative is not just disappointment but an inevitable war. "If we delay our peace negotiations, then there's going to be another conflict between Arabs or Muslims and Israel in the next 12 to 18 months," he said.

## **UNSC Passes Russian Proposal for Palestinian State**

May 12 (EIRNS)—Russian Foreign Minister Sergei Lavrov chaired a May 11 special UN Security Council meeting, which unanimously endorsed a Russian-authored statement calling for a Middle East Peace Conference in Moscow later this year, and supporting the creation of a Palestinian state. On May 1, Russia assumed the month-long rotating presidency of the Security Council.

In his press conference after the debate, Lavrov noted that the U.S. statement, which was read by Susan Rice, called for integrating the Arab Peace Initiative into the peace process. He stressed that there was strong agreement among all members of the Quartet.

UN Secretary General Ban Ki-moon spoke after Lavrov's initial statement. While giving obeisance to questions of Israel's security, he said that Israel must fundamentally prove its commitment to a two-state solution. Citing house demolitions, settlement expansion plans, settlement violence, and the restriction of Palestinian freedom of movement, Ban said, the time has come for Israel to fundamentally change its policies in this regard, as it has repeatedly promised to do, but has not yet done. Other members of the 15-member body made similar statements.

Israel's UN envoy, Gabriela Shalev, denounced the entire meeting as "inappropriate," since the UN should have no role in a "bilateral" issue and because Prime Minister Netanyahu is preparing his policy for his May 18 meeting with Obama.

## **Abdullah Tells Netanyahu To Work for Peace**

May 17 (EIRNS)—King Abdullah II of Jordan told Israeli Prime Minister Benjamin Netanyahu that he must support a two-state solution to the Israeli-Palestinian conflict. The two met May 14 at the Jordanian port of Aqaba on the Red Sea. Later in the day, Netanyahu met with Pope Benedict XVI, whom he told to attack Iran.

The Jordanian King said that there is a broad international consensus supporting the two-state solution as the only way to solve the conflict. He also called on Israel to accept the Arab peace initiative, lift the checkpoints in Palestinian territory, and lift the siege of the Hamas-controlled Gaza Strip.

Netanyahu refused to utter the words "two-state solution," only saying that he would promote talks with the Palestinians and "broaden" the circle of peace. He did not mention the Arab peace initiative, either.

A poll conducted by *Yideot Ahronot*, Israeli's most widely circulating daily, shows the following results: 58% of Israelis polled, support a two-state solution; 63% of those who consider themselves politically to the right, or center-right, support a two-state solution, along with 84% of those who consider themselves left-wing or center-left; 70% of religious Jews oppose a two-state solution; 42% of those who were Likud voters support a two-state solution, as do 82% of the Labor Party voters.

## **Syria Critical of U.S. Decision To Renew Sanctions**

May 11 (EIRNS)—Syria expressed criticism of President Barack Obama's decision last week to renew sanctions, which had been imposed on Syria under the Bush Administration. *Tishrin*, a government newspaper, wrote in an editorial yesterday that U.S. policies of isolation, blockades and sanctions adopted by the former Bush Administration "have put the United States in an intractable impasse." The editorial said that the U.S. should replace "foolish policies" with "openness, dialogue and discussions through transparent practices, the foremost of which is an open and final reversal of the policy of sanctions against states and peoples." *Tishrin* wrote that Syria is engaged in an ongoing dialogue with the U.S. "in a real test of the nature of U.S. intentions," and expressed the hope that the Obama Administration will not cave in to Israeli pressures or maintain the old policies against Syria.

Meanwhile the *Washington Post* claimed the renewal of sanctions is related to alleged passage of terrorists through Syria into Iraq. The *Post* claims that four terrorists from Tunisia had transited through Syria into Iraq, to conduct suicide bombings in recent months, according to information garnered through interrogation of Tunisian prisoners. The *Post* quoted an unnamed senior U.S. military official, as saying last week, "We just don't know how much their senior leaders know about the foreign fighter network.... But we do think that the knowledge of these networks exists at least within the Syrian intelligence community."

## **Mitchell Planning Visit to Syria**

May 16 (EIRNS)—U.S. Middle East Envoy George Mitchell is reportedly preparing for a trip to Syria. According to media reports, unnamed officials said Mitchell and his team have applied for visas to visit Syria, although the visit is not certain as of yet. If it occurs, Mitchell will have been the highest level official of the Obama Administration to have visited Syria.

Meanwhile in Damascus, Syrian President Bashar Assad held a joint press conference with visiting Turkish President Abdullah Gul, in which he said that no date can be set for resuming Syrian-Israeli indirect talks: "We cannot talk about a date because we don't have a partner," Assad said. "Syria is keen about peace, as much as it is keen about the return of its occupied territories." He also said the Israeli attack against Gaza at the end of last year and the beginning of this year prevented the indirect talks from reaching a direct phase.



Gul stated that, "Israel has to show clearly it is a partner. We have heard Syria is ready to resume the peace talks from the point where they stopped with the previous Israeli government. We in Turkey are also ready."

## Asia News Digest

### India's Dirty-Money Politicians Are on the Move

### Eurasian Nations Seek Nuclear Cooperation

#### India's Dirty-Money Politicians Are on the Move

May 15 (EIRNS)—Results of India's 15th Parliamentary elections are scheduled to be declared on May 16, but well before the first vote was counted, India's dirty money-funded politicians began maneuvering to seek significant positions in the upcoming government. The four most despicable political leaders of the lot, Sharad Pawar, Mulayam Singh Yadav, Laloo Prasad Yadav, and Ram Vilas Paswan (all regional leaders from the North and West) have met with the Congress party president Sonia Gandhi, who has already invited Mulayam Singh to join the next Congress-led government.

The reason these regional fiefs have begun hobnobbing with the Congress president is that many analysts, and all exit polls, indicate that the two national parties, Congress and Bharatiya Janata (BJP), will fall far short of an absolute majority and will have to bring onboard a number of regional parties to form the government. However, some regional politicians, particularly Pawar, are expected to demand the top post in order to join a coalition. As of now, there is no indication that any of these four dirty money-funded politicians have built any bridge to the BJP.

Meanwhile, India's Left groups, a mishmash of socialist and communist parties, have reacted to the U.S. *chargé d'affaires* Peter Burleigh's meeting with the BJP leaders and Pawar. Burleigh has not met the top Congress leaders. The Left complains that the United States is trying to influence the formation of coalition with the intent of keeping the socialists and communists out of the loop.

#### Eurasian Nations Seek Nuclear Cooperation

May 14 (EIRNS)—Russian Prime Minister Vladimir Putin and Japanese Prime Minister Taro Aso agreed in Tokyo, on May 12, on a wide number of economic deals, centering on nuclear power cooperation, while South Korean President Lee Myung-bak was in Central Asia with a similar agenda.

The Japan/Russia nuclear agreements, said to total several billion dollars, involve the exchange of Japanese advanced reactor technology for uranium fuel from Russia. Russia's Sergei Kiriyenko, head of the state nuclear agency Rosatom, indicated that the deals will include joint uranium mining in Russia and in third countries. Rosatom will develop uranium mines in the Sakha Republic in the Russian Far East with the Japanese trading firms Mitsui and Company, and Marubeni. He added that Rosatom plans to develop mines in other countries, including Mongolia, as part of the project.

He also revealed plans for Rosatom to set up a joint venture with the Japanese electronics maker Toshiba to establish a uranium storage facility in Japan, to strengthen Russia's supply system.

Japanese and Russian energy companies also signed a deal to jointly develop two large oil fields in eastern Siberia.

South Korean President Lee Myung-bak and Kazak President Nursultan Nazarbayev agreed May 13 in Kazakhstan to upgrade their countries' relationship to a "strategic partnership" and launch a number of joint projects, including joint development and construction of small and medium-sized nuclear reactors. Nazarbayev also asked Seoul to take part in the development of Kazakhstan's natural resources, including uranium. Seoul purchased 38% of its 4,000 tons of uranium imports from Kazakhstan last year.

South Korea also agreed to help build a new shipyard in Kuryk and provide assistance for the country's IT and railroad industries. Kazakhstan and South Korea will begin negotiations on adoption of Seoul's wireless broadband service, potentially worth over US\$1 billion.

President Lee had previously been in Uzbekistan for a three-day visit. A number of economic deals were concluded there, but no details were made public.

Seoul's efforts to improve its ties with the two Central Asian nations are part of its drive to become a "representative of Asia" in the international community, a diplomatic campaign called the New Asia Initiative.

## Africa News Digest

- **Evidence the Somali Pirates Are Guided from London**

### **Evidence the Somali Pirates Are Guided from London**

May 12 (EIRNS)—The Somali pirate crews hijacking ships in the Gulf of Aden and Indian Ocean receive intelligence from well-placed informers in London, according to a European military intelligence document leaked on May 11 by the Spanish radio station Cadena SER. The document, which is reportedly being distributed to European navies, asserts that a "consultant" team in London is guiding the pirates to the ships they prey upon, and giving them very detailed information on cargoes, crews, and courses. The London informers are in regular contact with control centers in Somalia, and at least one shipping company has said that the pirates remained in contact with London even while aboard the ship they had hijacked.

Information is also coming from networks in Yemen, Dubai, and the Suez Canal region of Egypt. According to the military intelligence report, "information that merchant ships sailing through the area volunteer to various international organizations ends up in the pirates' hands," allowing them to prepare their attacks well in advance. Hijacked ship captains have reported that the pirates are very well informed about their cargoes, layout, and ports of call. The report also said that British vessels are increasingly avoided by the pirates.

On May 14, the intelligence arm of Lloyds, *Fairplay Shipping News*, published its own version of the pirates' London connection. Lloyds, of course, is not an impartial party, as the increased premiums on sea insurance due to piracy have increased revenue for the London-based insurance giant. According to its version, the pirates are supported by "Somali businessmen" who do normal business through trading routes to the U.A.E. and Western banks, and finance piracy "on the side."

The Lloyds publication does, however, admit that Western intermediaries gain as much from the piracy business as the pirates themselves. While the latter netted an estimated \$80 million in 2008, an equal amount was paid by owners of captured ships to law firms, underwriters, and ransom specialists!

The idea that piracy can be fought by patrolling the sea is a losing proposition, as the four naval task forces in the area cannot prevent new ships from being sent from the Somali coasts. In fact, this situation is a result of the creation of the first "failed state" in the world, Somalia, through the London-supported civil war in 1991 and subsequent destabilizations.

In the meantime, as suggested by Antonio Maria Costa, executive director of the United Nations Office on Drugs and Crime, there is another way to catch the pirates: "go after their treasure." They usually work through "intermediaries outside of Somalia, negotiating ransom money through financial centres: these need to be hit.... Let's defeat these bandits in the courts, the ports and the banks, as well as on the high seas," Costa wrote on Feb. 5, 2009.

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