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LaRouche:
We Have To Change the Forecast!

Lyndon LaRouche made the following remarks to a private meeting in Washington, D.C., on June 23.

Well, there are two events, recent historical events, which are significant for any discussion of policy today. First, we've had the breakdown of the international economy, especially, the trans-Atlantic region, is now fully underway. So that these are not easy times. The financial crisis, the breakdown, is going to hit now, and during the early Summer.

What we're looking at is the threat of a general breakdown crisis of the trans-Atlantic economies. It will be centered in Europe. If the current President of the United States remains in office during this period, it will be a disaster here. And a disaster in the trans-Atlantic region, particularly, the north trans-Atlantic region, will have obviously devastating impact not only in the trans-Atlantic region, but a collapse of the trans-Atlantic region will mean a collapse also in the Pacific region.

So, this is now an immediate reality. And only corrective policies will prevent this reality from becoming realized.

What is required, without which we're not going to get out of this thing, is a general change in the world economy, by putting the world economy, starting with the trans-Atlantic region, into bankruptcy reorganization....

In-Depth articles from EIR, Vol. 37, No. 26

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This Week's Cover

- **LaRouche:**
We Have To Change the Forecast!

Remarks by Lyndon LaRouche to a private meeting in Washington, D.C., on June 23. 'What we're looking at,' he said, 'is the threat of a general breakdown crisis of the trans-Atlantic economies. It will be centered in Europe. If the current President of the United States remains in office during this period, it will be a disaster here. And a disaster in the trans-Atlantic region, particularly, the north trans-Atlantic region, will have obviously devastating impact not only in the trans-Atlantic region, but a collapse of the trans-Atlantic region will mean a collapse also in the Pacific region.' What can prevent such a disaster? 'What is required, without which we're not going to get out of this thing, is a general change in the world economy, by putting the world economy, starting with the trans-Atlantic region, into bankruptcy reorganization.'

International

- **Afghan Fiasco:**

Does President Obama Need a Hearing Aid?

The sacking of Gen. Stanley McChrystal does not signify any change in U.S. policy. That means the grinding war will continue, leading to further destruction of the U.S. military, yielding nothing but more opium from the fields of Afghanistan, and fattening the wallets of City of London and Wall Street bankers.

- **LaRouche:**

Wipe Out the Afghan Opium Trade

National

- **Obama Must Go!**

Dodd-Frank 'Financial Reform' Bill Is a Sellout to Wall Street

The efforts by a handful of Congressmen and Senators to restore the Glass-Steagall law was killed by Sen. Christopher Dodd and Rep. Barney Frank before the Senate and House bills were voted on. Dodd and Frank had the full backing of President Obama and his economic team.

- **From the Senate:**

Obama Is a Liar

- **Rogers Campaign Shows Texas Dems the Future:
And It Isn't Obama!**

Economics

- **Crisis in the Gulf:**

Serious Study of Nuclear Option Is Highest Priority

Serious consideration for the design and deployment of a peaceful nuclear explosive to seal the BP oil well is currently mandatory.

- **Sealing the BP Well:**

Expert Explains Use of Nuclear Device

From an interview by *LPACTV* with nuclear physicist **Dr. Milo D. Nordyke**. He is the leading U.S. expert on peaceful nuclear explosions, scientist emeritus of Lawrence Livermore National Laboratory, and a veteran of the Operation Plowshare program for the peaceful use of nuclear explosions.

Feature

- **An Extraordinary International Dialogue with Lyndon LaRouche**

On April 29, Lyndon LaRouche engaged in this fascinating conversation with a group that had gathered in New York to discuss various elements of LaRouche's proposed Four-Power Agreement and related issues. The group was comprised of policy-makers as well as academicians from Stanford University, University of California at Berkeley, Massachusetts Institute of Technology, Princeton University, and Columbia University. Representatives from Russia, China, and India also participated. A number of journalists were also invited to audit the proceedings, although they did not have speaking rights.

Editorial

- **Who Will Stand Up Against Obama?**

This Week's News

U.S. Economic/Financial News

- [Protests Mount as State Economies Implode](#)
- [Panic at Beleaguered Unemployment Offices](#)

Protests Mount as State Economies Implode

June 25 (EIRNS)—States and municipalities already reeling from the economic depression sweeping the country, will be forced to adopt sharp new budget cuts, tax hikes, and layoffs of state workers, as a result of Congress's criminal refusal to pass the jobs bill that also contained the extension of unemployment benefits. Politically, the new cuts will be like throwing oil on the mass strike fire.

Forty-six states are short a total of \$112 billion on their budgets for the fiscal year beginning next week, according to a June 25 Bloomberg wire, and, as a result, are "facing Greek-style deficits." California leads the way with a \$9 billion budget gap and 12.4% unemployment. But all states, in Wall Street outlet Bloomberg's view, "are going to have to cut back spending and raise taxes the same way Greece and Spain are." Bloomberg favorably quotes the bloodthirsty former New Jersey Gov. Christine Todd Whitman (R) saying: "States don't have a choice anymore. These problems are going to require major surgery."

But that is not at all what 80% of Americans think. For example:

* In Yonkers, N.Y., rats were released into the City Hall during union protests against budget cuts to fire and other services. Police were called by a city councilman to deal with one firefighter who, the councilman complained, was "endlessly berating" him.

* In Lansing, Mich., 5,000 teachers descended on the state capitol June 24 to protest a new requirement to pay 3% of their wages into the retirement system, without a guarantee of any actual retirement benefit.

* In California, protests hit school board meetings in Los Angeles and San Francisco on June 24. A \$113 million budget gap caused the San Francisco school board to reduce Summer programs, force all district administrators to take five unpaid days off, and possibly lay off 900 teachers next year. Up to 4,000 Los Angeles school employees could begin to be laid off July 1 due to a \$640 million deficit.

* The San Jose, Calif. airport was hit by worker protests at the opening of a \$1 billion "high-tech" terminal that budget cuts will cause to be run with half the present workforce.

Panic at Beleaguered Unemployment Offices

June 25 (EIRNS)—The failure of Congress to extend emergency jobless compensation will cause about 1.3 million Americans to lose their unemployment checks by the end of this week, and about 2 million by the first week of July,

according to the *Wall Street Journal*.

A spokesman for the National Association of State Workforce Agencies told *EIR* that state offices are being swamped with calls from panicked people, responding to the news of the Congressional "screw you" to the unemployed. Adding to the agencies' hardships from state budget cuts and personnel shrinkage, the states are generally using computers whose average age is 23-24 years, to handle the cases of claimants. State personnel are counselling the jobless to keep refiling their claims, so that if the Federal government restores the compensation, their names will at least be on file.

Congress also held up the planned \$25.5 billion Federal Medical Assistance Percentages (FMAP) Medicaid help to the states. California had planned for \$1.5 billion in FMAP aid in the state budget, and will now cut Medicaid benefits to the poor. Pennsylvania Gov. Ed Rendell (D) said if Congress did not approve FMAP, his state would be "another \$850 million short and because we are already down to the bone in programmatic cuts, that will produce tens of thousands of layoffs."

The only component of the original bill that was salvaged was the provision to rescind the planned 21% reduction in Medicare payments to doctors.

Global Economic News

British Banks Are More Bankrupt than Others

ECB Chief Calls for 'Fiscal Federation' Dictatorship

British Banks Are More Bankrupt than Others

June 25 (EIRNS)—In a world where all major banks are in reality bankrupt, Her Majesty's banks appear to be far more bankrupt than other banks. The Bank of England has released its twice-yearly Financial Stability Report, in which this appears to be substantiated. For example, the report indicates that the largest British banks will have to raise between £750-800 billion (\$1.5 trillion) by the end of 2012. This is more than twice as much as the largest French and German banks, and is 2.5 times more than American banks. That equates to over £25 billion each month on average, more than double the average monthly issuance achieved so far this year. U.K. banks also need to extend the maturity of their wholesale funding, around 60% of which falls due within the next 12 months.

The report also said the banks remain "vulnerable" to further write-downs on their assets. Derivatives and other financial instruments accounted for no less than 40% of U.K. banks' total assets, at the end of 2009. It points out that sovereign debt risk concerns could lead to the reduction of asset prices which "would have a significant impact on the solvency positions of holders of these assets, including both U.K. and global banks."

The BOE report adds that U.K. banks are "particularly exposed" to French and German banking systems, which account for about one-quarter of their claims on banks globally. "U.K. banks face increased counter-party credit risk on exposures to other European banks."

While the U.K. banks hold modest amounts of Portuguese and Greek public and private debt, they are "particularly exposed" to French, German, Irish, and Spanish public and private sector debt, which accounts for about one-quarter of their foreign claims in Europe.

ECB Chief Calls for 'Fiscal Federation' Dictatorship

June 22 (EIRNS)—European Central Bank chief Jean-Claude Trichet told the European Parliament's economics committee yesterday that a total takeover of sovereign economies would not be necessary if everyone agreed to a "fiscal federation," with an independent commission to control budget policies in member countries. One is reminded of Keynesian economist Abba Lerner remarking in his debate with Lyndon LaRouche in 1971, that if Germany had followed the advice of Hjalmar Schacht, Hitler would not have been "necessary."

The "independent commission" called for by Trichet would have the power to impose sanctions on countries that insist on keeping their populations alive. Trichet described this plan as a "quantum leap in economic governance."

Trichet said that what was pragmatically possible now was to argue for the equivalent of fiscal federalism based on much stronger surveillance of budgetary and competitiveness policies since a truly federal system would require a change of the European Union's treaties.

United States News Digest

White House Won't Budge on Shutting Down Constellation

House Dems Nix Resolution of Inquiry in Sestak/Romanoff Cases

Democratic Leadership Planning 'EU-Like' Austerity

Congressional Leaders Impose 21% Cut to Medicare and Medicare Doctors

Dem-Majority Louisiana Legislature Joins Fight vs. ObamaCare

White House Won't Budge on Shutting Down Constellation

June 24 (EIRNS)—Following a meeting of a group of Senators whose states stand to lose potentially thousands of jobs related to the NASA Constellation program for manned space exploration, Sen. Jeff Sessions (R-Ala.) said on June 22, regarding the ongoing shut-down of Constellation contracts: "We want an independent legal opinion, which could make a difference in where we are. We think this is clearly a violation of the congressional intent."

Sessions declined to identify the senators in the meeting, but said the group is waiting for reviews by the Congressional Research Service and the Government Accountability Office before deciding a strategy for fighting the cuts.

"I would say the mood was grave," Sessions said of the meeting. "A number of members feel strongly that America's leadership in space is being jeopardized by the President's budget for next year, and the attempts this year to cancel contracts before the year is out." An opinion that would make what the Administration is doing illegal would provide leverage to shoot down the entire Obama "new space" proposal. But if that is all there is, little will have been gained. The Constellation budget, as is, has left the program losing ground, delayed more and more each month.

Earlier in the day, Sessions had a meeting with NASA administrator Charlie Bolden, which he characterized as "troubling." "I didn't get the feeling there is any real give in their position," Sessions said. "We should not think that the President at the moment has any plans to make significant alterations to what they have stated is their goal."

House Dems Nix Resolution of Inquiry in Sestak/Romanoff Cases

June 24 (EIRNS)—Democrats on the House Judiciary Committee yesterday voted down, 15 to 12, a resolution of inquiry introduced by Rep. Lamar Smith (R-Tex.), calling on the Department of Justice to turn over all documents related to the White House job offers to Rep. Joe Sestak (D-Pa.) and former Colorado Speaker of the House Andrew Romanoff (D).

Immediately following the party-line vote, Rep. Darrell Issa (R-Calif.) issued this statement: "Any high ground of transparency and accountability that House Democrats once claimed to stand on has been surrendered. For all the talk, and it is talk, about living up to a higher standard of conduct and disclosure, time and again, the Democratic Majority takes the path of least resistance and political expediency instead of fulfilling the American people's right to know the truth about unethical and possibly criminal conduct. Ultimately, House Democrats will have to convince the American people that their standard of secrecy, backroom deals and preservation of the status quo without a check-and-balance is the best governing vision moving forward."

Democratic Leadership Planning 'EU-Like' Austerity

June 23 (EIRNS)—House Majority Leader Steny Hoyer (D-Md.) made a self-billed "major speech" yesterday, promising fascist austerity from the Democratic leadership, and the abandonment of Congress's Constitutional power over the budget to President Obama's appointed "fiscal deficit commission." Hoyer was promoting a copy of the British-instigated "new governance" policy of the European Union, in which those nations (except the United Kingdom) have just agreed to let the European Commission bureaucracy decide on their budgets, before their elected parliaments even see them.

Hoyer told the conference of the "Third Way" think-tank that the House will *no longer create a five-year budget plan originating in its Budget Committee; rather, it will leave that to the fiscal "deficit commission" created by Presidential fiat early this year.* For the FY2011 budget, House Democratic leaders propose cuts \$7 billion deeper than Obama's "spending freeze" outline.

Obama's "fiscal deficit commission" is completely staffed by operatives of Wall Street billionaire Peter Peterson's Foundation and his Institute for International Economics. For decades, Peterson has been trying to privatize or get rid of Social Security and Medicare. He is funding "AmericaSpeaks town meetings" across the country for that purpose on June 26. Obama's commission is stacked in favor of those who advocate slashing Medicare and Social Security; Hoyer has been saying that he definitely wants that "on the table."

Congressional Leaders Impose 21% Cut to Medicare and Medicare Doctors

June 22 (EIRNS)—The fanatics leading the Democratic Party in the House and Senate have succeeded in imposing a 21% cut to all Medicare and Medicaid doctors, which will force countless doctors to stop taking poor and elderly patients, and result in countless deaths. House Speaker Nancy Pelosi announced today that she will not take up the "fix" that gets passed every year to stop the mandated 21% cut, because of disagreements with the Senate leadership over the way the bill was passed in the Senate. Senate Majority Leader Harry Reid separated the fix from a broader extension bill that included unemployment, home-buyer credits, and other issues, when Republicans and some Democrats held up the extension bill as too expensive, demanding cuts elsewhere in the budget.

The 21% cut officially took effect on June 1, but the Center for Medicare and Medicaid Services (MMS) twice told doctors they would not process claims until the bill passed. However, the MMS began enforcing the cuts June 18, and will process an estimated 50 million claims the agency had been holding since June 1, with the 21% cut included. If the fix is eventually passed, the doctors will be reimbursed—but how many people can hold out, and for how long, and how many

will die in the meantime?

Dem-Majority Louisiana Legislature Joins Fight vs. ObamaCare

June 21 (EIRNS)—The revolt against ObamaCare has been percolating for months from the mass strike into state legislatures. On June 18, Louisiana became the first state with a Democratic-controlled legislature to oppose the ObamaCare requirement for everyone to purchase health insurance. Similar legislation has already been enacted in statute form by the Virginia, Idaho, Arizona, and Georgia legislatures; and constitutional amendments or referenda will appear on the ballot in Oklahoma, Arizona, Florida, and Missouri. Citizen initiatives are underway in Colorado, Michigan, and Mississippi.

The Louisiana House bill, which passed the state Senate with strong bipartisan support, will soon head to GOP Gov. Bobby Jindal's desk. The measure is modeled after the American Legislative Exchange Council's (ALEC) Freedom of Choice in Health Care Act now introduced or announced in 42 states.

Louisiana House Bill 1474, which was supported by 14 House Democrats and 12 Senate Democrats, states that, "No resident of this state, regardless of whether he has or is eligible for health insurance coverage under any policy or program provided by or through his employer, or a plan sponsored by the state or the federal government, shall be required to obtain or maintain a policy of individual health insurance coverage." PRNewswire reports that the measure faced a tough battle in the Senate, where sponsors conceded to an amendment that may hamper Louisiana's ability to file an additional 10th Amendment-based lawsuit against the Federal health reform law.

"Today, Louisiana sends a clear message to the President and Congress that there is broad, bipartisan opposition to the centerpiece of their health reform agenda," said ALEC Health Task Force director Christie Herrera, who is coordinating the nationwide effort.

Ibero-American News Digest

Argentina: British Colonialism and BP are One and the Same

The British Are Gunning for Colombia

Rains Cause Misery in Haiti, After Obama Nixed Emergency Rebuilding

Argentina: British Colonialism and BP are One and the Same

June 28 (EIRNS)—Speaking June 24 before the UN's Decolonization Committee, Argentine Foreign Minister Hector Timerman slammed the British government for refusing to hold talks on the Malvinas Islands, which Britain calls the Falklands and illegally seized from Argentina in 1833. Defying numerous UN resolutions calling on both sides to engage in dialogue, British Prime Minister David Cameron argued that there is nothing to discuss.

The newly named Foreign Minister also took aim at BP, charging that what it has done in the Gulf of Mexico is no different from the British government's trampling on Argentina's rights in the South Atlantic. "At a time when one of the worst ecological catastrophes has occurred in the Gulf of Mexico, as a result of the spill caused by British Petroleum's oil rig," he warned, "we shouldn't minimize or downplay the risk implied for our entire region, from an environmental standpoint, by the United Kingdom's colonialist adventure in the South Atlantic, based on the plundering of non-renewable

natural resources." He expressed concern that British oil companies operating elsewhere—e.g., the Malvinas—may be cutting corners on safety standards, just as BP did in the Gulf.

Timmerman also offered his government's "full solidarity" to those Americans who have suffered from the BP oil spill in the Gulf of Mexico, while Argentina's UN Ambassador, Jorge Arguello, reminded the British government that the U.S. had declared its "neutrality" in the British-Argentine dispute—much to London's distress—and that Secretary of State Hillary Clinton had offered to serve as a mediator between the two governments, during her visit to Buenos Aires last March.

Argentina's sovereign rights to the Malvinas are "non-renounceable," the Foreign Minister stated, referencing his country's anti-British sentiment, which dates back to the pre-independence era of the early 19th Century. In this year of Argentina's bicentennial celebration, he pointed out, it is remarkable that "we are still debating a colonial issue.... We are still debating what our heroes, our founding fathers did. It is an anachronism that there are still colonial powers in the 21st Century."

The British Are Gunning for Colombia

June 28 (EIRNS)—Only two countries in Ibero-America have waged a fight against British policies in the recent period: Argentina and Colombia. With the run-off in Colombia's Presidential elections now over, London is gearing up operations to get the victor, incoming President Juan Manuel Santos, to capitulate to Britain, by turning against outgoing President Alvaro Uribe and the nation's military forces, while imposing the City of London's Hitlerian economic policies.

Santos won a smashing, 69% to 28% victory over his opponent, Antanas Mockus, by campaigning as the man who would continue Uribe's policy of fighting narcoterrorism. That continuity of policy, despite the clear mandate of the Colombian people, is what the City of London is out to break.

Uribe's "crime" is certainly not that of having bucked London's economic policies, but that under his leadership, from 2002 to today, Colombia demonstrated that Britain's modern Opium War *can* be defeated, with some backing from sane American circles. Just as Peruvian President Alberto Fujimori and Peru's military high command demonstrated—until they were driven from power, and into jail cells in 2001, in an operation personally overseen and financed by Britain's top drug-pusher George Soros.

London demands that Uribe and the top military leaders be given "the Fujimori treatment." London's drug-pushing *Economist* magazine summarized the message, in its June 24 story on the elections: "Colombia's Presidential Election: Too Much Continuity?" Santos's hardest task "will be correcting Alvaro Uribe's excesses."

The *Washington Post* proposed two days later, in an article titled "Backlog of Colombian Human Rights Cases Pose a Test for New President," that the Inter-American Human Rights Commission's ruling last week that the Colombian government was responsible for the 1994 assassination of Communist Party leader Sen. Manuel Cepeda, can be used to pressure Colombia into a generalized purge under the "human rights" pretext.

Rains Cause Misery in Haiti, After Obama Nixed Emergency Rebuilding

June 26 (EIRNS)—It is now almost four weeks into the hurricane season in the Caribbean, and heavy rains—not yet full-fledged tropical storms—are spreading misery and despair in Haiti. This is because President Obama blocked an Army Corps of Engineers approach to relocation of people away from high-flood zones, and into national rebuilding programs.

More than 1.5 million people are living in the streets or the equivalent. The shelter program to date consists mostly of 700,000 tarps, and 70,000 tents, 40% of which are judged now to be in want of replacement. They were inadequate from

the day they were delivered.

A Haitian source reported that there is now a lot of flooding. Many people have no way to protect themselves from the rains, and the government is really not doing anything. The NGOs don't do anything beyond providing charity.

In the central Caribbean, thunderstorms have struck eastern Cuba, Jamaica, and the island of Hispaniola (which is divided between Haiti and the Dominican Republic). Puerto Rico reports that this year to date, is the wettest on record. In the Dominican Republic, 3,000 people have been evacuated in recent days because of flooding; two persons are confirmed dead from drowning, and several are missing.

In Haiti, flooding is underway in the northwest and other run-off danger zones. For example, the coastal city of Gonaives is flooded. Though not hit by the Jan. 12 earthquake, the town has thousands of refugees who fled the quake zone in the south, and conditions are desperate. Gonaives City flooded twice in storms since 2004, with of lives lost. A nationwide Code Orange alert has been issued by the Haiti government, but they lack the resources to care for their people.

Given this deteriorating situation, it is more clear than ever that intervention is required for mass relocation to safe ground, for interim CCC-type housing and infrastructure-building programs, as Lyndon LaRouche has called for from the start.

Instead of that, support for Obama's do-nothing policy came out this week, in the form of a report released for the members of the Senate Foreign Relations Committee, by Committee staff. Titled, "Haiti at a Crossroads," the 17-page report states that rebuilding has "stalled out."

Western European News Digest

Glass-Steagall Resolution Presented in Italy

Endorsements of Glass-Steagall in German Press

Belgian Flemish Separatists Advance Regionalism

Nearly 2 Million Demonstrate in France

Tory Budget Plans Killer Austerity

German Cabinet Okays Expanded Short Sales Ban

Italian Court Backs Government Nuclear Program

Glass-Steagall Resolution Presented in Italy

ROME, June 24 (EIRNS)—The Hon. Catia Polidori has presented a resolution calling for a policy based on the former U.S. Glass-Steagall Law; the resolution has already been signed by 24 other Parliamentarians in the Italian Chamber of Deputies. Polidori is a member of the majority Freedom People (Pdl) party, and former national chairwoman of the Confederation of Small Enterprises (Confapi). The resolution, which is similar to that presented in the Senate by Oskar

Peterlini last week, has been covered by several news agencies, such as AGI and Radiocor; the latter is run by the country's main financial daily, *Il Sole 24 Ore*. The document requests that the government "act in all international venues to promote multilateral agreements which establish a return to such a separation of commercial banks and investment banks, thus favoring a climate for long-term investment in the real economy."

Discussions are underway among other lawmakers to reach an agreement for a joint document, with the support of some leading members of the Parliamentary majority.

Endorsements of Glass-Steagall in German Press

June 25 (EIRNS)—The Munich-based *Süddeutsche Zeitung*, Germany's second-largest news daily, with a nationwide circulation, today endorsed Glass-Steagall; Germany's major weekly *Der Spiegel* had also done so earlier this week. This occurs two weeks after the Frankfurt *EIR* seminar for a reinstitution of the Glass-Steagall Act, featuring Lyndon LaRouche as the keynote speaker.

Belgian Flemish Separatists Advance Regionalism

PARIS, June 25 (EIRNS)—The June 13 election victory of the Belgian Flemish separatist party, a creation of the Inter-Alpha Group banking cartel, has opened the Pandora's box for the break-up of not only Belgium, but many other EU member-states. As such, it is a laboratory experiment of the new EU social engineering program.

Observers note that Bart de Wever's New-Flemish Alliance party (N-VA) should be called the "New-European Alliance," since his program has nothing in it that's "nationalist" at all, but represents complete submission to the EU empire, i.e., Ayn Rand-style "less government"; Dick Cheney-style "security" in cities; lower taxes; charter flights to deport illegal immigrants to their home countries; and most prominently: "saving" the banks by cutting EU22 billion in social budgets, deconstructing social security and health care for the poor and unemployed, who, de Wever charges, are too lazy to work.

Nearly 2 Million Demonstrate in France

PARIS, June 26 (EIRNS)—Some 1.9 million people participated in a day of action, organized by the main trade unions in France, against the reform of the pension system being organized by the government, to pay for the bailout of the banks. Employees from both the public and the private sector participated in large numbers, in demos demanding that the government reverse its decision to extend the retirement age by two years, from 60 to 62.

The SNCF, the public railway company, reported that the percentage of railway workers on strike reached 39.5%; the CGT union federation said it was 46%. Either way, this is up some 20 points from the numbers which had participated in a warm-up day of action, on May 27. Members and sympathizers of Solidarité et Progrès, the party of the LaRouche movement in France, were present at the demonstrations in Lyon, Grenoble, Rennes, Brest, St. Brieuc, and Paris, and distributed some 16,000 leaflets.

Tory Budget Plans Killer Austerity

June 22 (EIRNS)—UK Chancellor of the Exchequer (treasury secretary) George Osborne announced the budget for the Cameron government today, taking pride in the devastation the Tories intend to impose on the British people. As *EIR* noted before the recent election, whoever took over would face the reality that the U.K. is the most bankrupt of the many bankrupt European economies, even using official figures.

The Tory solution? Cut wages, jobs, and social services to the bone. Every department other than certain "protected" ones will have to cut their budgets by 25% over the next four years. Public-sector workers will have a two-year wage freeze, and a freeze on children's benefits for three years. Pensions will not be paid until age 66, rather than 65.

Corporate taxes, however, will be cut, not raised, to 27% immediately (from 28%), and to 24% over the next three years. The Labour Government had already cut the rate from 33% to 28% since 1997.

German Cabinet Okays Expanded Short Sales Ban

June 24 (EIRNS)—Germany's move to ban naked short selling, aims to speed up a similar move on a European level, Finance Minister Wolfgang Schäuble said yesterday, after the Cabinet approved a bill banning "naked" short selling of all stocks and euro currency derivatives not intended for hedging against currency risks. Already, the ban on select bonds and assets, decreed by the German government on May 19, caused consternation among financial speculators, in London especially.

With the European Commission expected to present its plan on naked short selling in October, Germany decided "to go ahead ... in a move to accelerate the European approach," Schäuble said. The ban is "a necessary and right consequence resulting from our experience over the past years," he said. Germany also supports a French initiative to weaken the influence of existing ratings agencies, Schäuble said.

Italian Court Backs Government Nuclear Program

June 24 (EIRNS)—The Italian constitutional court yesterday rejected a challenge filed by nine regional governments against the bill establishing regulations for the construction of nuclear plants. The challenge concerned, in particular, the central government's power to decide sites, the procedures to give the central government the last word in case of local opposition, and the decision to declare nuclear sites as areas of "national strategic interest." The court opinion motivating the ruling has not yet been made public.

The Italian government plans to build the first four nuclear plants, using French EPR technology, followed by a second group of plants, in order to bring from zero to 25% the amount of electricity produced by nuclear power in Italy.

Russia and the CIS News Digest

Panarin Calls for International Tribunal on Crimes of British Empire

Victor Ivanov Calls for Russian Base To Fight Drugs in Kyrgyzstan

Panarin Calls for International Tribunal on Crimes of British Empire

June 22 (EIRNS)—Today, on the 69th anniversary of Operation Barbarossa, the Nazi invasion of the Soviet Union, Prof. Igor Panarin escalated his current series of public attacks on the British Empire as the historical, "and contemporary," adversary of Russia. "I find it necessary to repeat once again today," said Panarin in an interview with KM.ru, "that the leaders of the British Empire should confess to having organized both World War I and World War II, and a public tribunal should be organized to determine who organized the First and Second Wars, and why." He said that holding such a tribunal now would be justified because of the "holocaust of the Soviet people" which resulted.

Panarin is a professor and dean of history at the Diplomatic Academy of the Russian Foreign Ministry, best known for his forecast of the coming fragmentation of the United States. Few reports on his statements note, however, that Panarin attributes the anti-U.S. plan to a London-centered group of financiers.

Panarin told KM.ru, "June 22 is a tragic date in our history. But I think that the sudden attack on the USSR by Germany was arranged not only by fascist Germany, but also by the British Empire. That might seem to be a paradox, since those two countries were adversaries at that moment. But, it is only strange at first glance."

The professor then reviewed his argument that Bolshevik figures such as Trotsky were "agents of British Intelligence" (as established in Panarin's recent video briefing, which highlighted Trotsky's relationship with British spies Robert Bruce Lockhart and Sidney Reilly), who had been suppressed by Stalin. Unable to achieve the control over the Soviet Union which it had sought, said Panarin, "the British Empire decided to prepare World War II, where fascist Germany would act as the strike force for an attack on the USSR. It has long been no secret that it was the British (the Bank of England, in particular) who financed the Nazi Party...."

The formulations in Panarin's interview, about calling the British Empire to account today, are striking against the backdrop of the erroneous general opinion in Russia that the British are only a junior partner of the United States. Lyndon LaRouche's speeches and articles on today's "British Empire," and its particular agents such as Kremlin advisor Arkadi Dvorkovich—not to mention most of the rest of the delegation accompanying President Dmitri Medvedev this week on his trip to Silicon Valley, Stanford University, and Washington, D.C.—is circulating widely in Russia.

Victor Ivanov Calls for Russian Base To Fight Drugs in Kyrgyzstan

June 22 (EIRNS)—In a press conference yesterday, Russian chief of the Federal Anti-Narcotics Control Service Victor Ivanov charged that "drug barons" were behind the past two weeks' horrific violence in Kyrgyzstan, which left thousands dead and hundreds of thousands of people as homeless refugees. Although Moscow and the Common Security Treaty Organization (CSTO) have hesitated to commit forces to Kyrgyzstan, Ivanov said: "My proposal is to set up a military base of the Russian Federation in Kyrgyzstan. This will make it possible to launch effective work to cut off the narcotics channels in that country. Without our presence, it is difficult to constantly be asking the Kyrgyz to solve this problem."

Semyon Bagdasarov, a former on-the-ground Russian intelligence operative in Tajikistan who is now a leading Duma member of the Just Russia party, has also called for reinforcing Russia's presence in Kyrgyzstan, where Russia does have an air base in the north. The provisional government has requested Russian help. Bagdasarov wants to use special forces to help apprehend Janybek Bakiyev, a brother of ex-President Kurmanbek Bakiyev, suspected as a drug trafficker and organizer of the pogroms.

Southwest Asia News Digest

[Report Says 'Humanitarian Aid' Can't Resolve the Gaza Crisis](#)

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Report Says 'Humanitarian Aid' Can't Resolve the Gaza Crisis

June 21 (EIRNS)—The dire situation in Gaza cannot be resolved simply by providing humanitarian aid, according to a report issued on June 14 by the International Committee of the Red Cross. The ICRC notes that Israel's blockade of Gaza, about to enter its fourth year, is choking off any possibility of economic development; Gazans suffer from severe unemployment and poverty, and the quality of Gaza's health-care system has reached an all-time low.

"The whole of Gaza's civilian population is being punished for acts for which they bear no responsibility," says the ICRC report. "The closure therefore constitutes a collective punishment imposed in clear violation of Israel's obligations under international humanitarian law."

Among crisis situations cited by the ICRC are:

- * Almost one-third of Gaza's farmland has been incorporated by Israel into a "buffer zone."

- * Israeli restrictions on fishing have left 90% of Gaza's fisherman "poor" or "very poor," and many have no choice but to sail into no-go zones, risking being shot by the Israel Navy.

- * Gaza suffers an acute electricity crisis, with power being interrupted an average of seven hours a day. This has devastating consequences for hospitals and the primary-care health system.

- * Fuel shortages have forced hospitals to cancel all elective surgery and accept emergency cases only, three times this year. Pediatric hospitals can no longer function. Laundry services have shut down. Fluctuations in electricity have damaged sensitive medical equipment. Stocks of medical supplies are at an all-time low, forcing hospitals to re-use such items as ventilator tubes and colostomy bags.

- * Water supply: Gaza's aquifer is being damaged, with raw sewage being discharged into waterways. Drinking water is unfit for consumption, and the risk of infectious diseases is high. "The current situation is critical and may lead to an irreversible trend in the degradation of underground fresh water," said Javier Cordoba, who oversees the ICRC's water and sanitation activities in Gaza. "Large-scale projects, such as the construction of a desalination plant, must be undertaken to meet water-supply needs without further exposing the aquifer. The closure must be lifted so that the \$4.5 billion pledged by donor countries over a year ago can be put to use."

U.S. Congress Imposes Inflammatory Sanctions on Iran

June 25 (EIRNS)—The U.S. House and Senate have both passed a new unilateral Iran sanctions bill, targeting Iran's petroleum sector and the Revolutionary Guard. The bill, coming out of House-Senate conference, goes beyond the Administration's own desires, and does not grant blanket exemptions to any countries. In order to get Russian and Chinese support for the latest UN Security Council resolution, the Obama Administration had agreed to limit the scope of the Security Council language, so as not to harm China, which depends on Iranian oil flows. British puppets on Capitol Hill are pushing not only a confrontation with Iran: The sanctions bill, as now presented out of conference, would also target U.S. allies that provide refined petroleum to Iran, and that have dealings with Iranian Revolutionary Guard-controlled companies. This includes the European Union, Russia, and China.

The Senate passed the bill by a 99-0 vote, and the House passed it 408-8. This followed the announcement on June 21 of an agreement reached by Sen. Chris Dodd (D-Conn.) and Rep. Howard Berman (D-Calif.) on combining the previously passed Senate and House bills.

In another reflection of an intensification of the war drive against Iran, Brazilian Foreign Minister Celso Amorim told the *Financial Times* on June 21 that Brazil has scaled back its efforts to mediate between Iran and other countries over Iran's nuclear program, after massive pressure came down *against* the agreement Iran made to swap its low enriched uranium. "We got our fingers burned by doing things that everybody said were helpful and in the end we found that some people could not take yes for an answer," Amorim said, in clear reference to President Obama.

"We were directly involved in seeking a solution and we were encouraged to do that," Amorim said, "and then when we produced a result, it had no consequence. On the same day that the agreement was produced, before it had even been analyzed, the immediate response was the request for a [UN] resolution" on sanctions.

In still another move against Iran, on June 16, the Obama Administration announced that it was adding almost two dozen more Iranian entities and individuals to the U.S. sanctions list. Stuart Levey said the list includes 17 more Iranian banks, Islamic Revolutionary Guards Corps-linked construction and energy firms and individuals, as well as 27 Iranian-government front companies. This came after EU ministers announced their own set of sanctions under UNSC Res. 1929, adopted earlier this month.

Turkey Closes Airspace to Israel

June 28 (EIRNS)—Turkish Prime Minister Recep Tayyip Erdogan said on June 28 that Turkey has closed its airspace to Israel, according to the state-run news agency. The Anatolia news agency quotes Erdogan as telling reporters at the G8/G20 meetings in Canada, that Turkey had imposed a ban on flights after the May 31 Israeli raid on a Gaza-bound aid flotilla. He did not elaborate. Eight Turks and a Turkish-American were killed in the raid. Israel says its commandos were acting in self-defense. Turkey withdrew its ambassador and canceled joint military drills in response to the raid. It has said it would reduce military and trade ties and not return its ambassador unless Israel apologizes. Turkey is also demanding that Israel return the seized aid ships, agree to an international investigation, and offer compensation for the victims.

The G-8 communiqué said, "We also welcome and commend" Brazil's and Turkey's efforts on the issue of the Tehran Research Reactor.

British Begin Evacuating Families from Iran

June 22 (EIRNS)—The British have begun the evacuation of the families of their Embassy staffers, according to the *Guardian*, in a move which clearly signals preparations for something worse to happen. The British Foreign Office advised against non-essential travel to Iran. British diplomats told the *Guardian* that further worsening of Anglo-Iranian relations was likely.

Following a meeting between Iranian Foreign Minister Manouchehr Mottaki and the Iranian Parliamentary National Security and Foreign Policy Commission, Press TV reports that Ali Larijani, the Speaker of the Parliament, called for "revision" of ties with Britain, in light of its intervention into the internal affairs of Iran. The Israeli daily *Ha'aretz*, citing Iranian news agencies, reports that an Iranian MP, Mahmoud Amadi, said today, "In the meeting yesterday we concluded to summon Iran's ambassador to London for a limited time for some explanations and a complete report of events and Britain's interference in Iran's internal affairs." A senior Iranian government source said he could not confirm the report.

The Iranian authorities have refused permission for students to demonstrate in front of the British Embassy. "Iran's Interior Ministry condemns Britain's interference but has granted no permission for the gathering outside the British Embassy in Tehran on Tuesday."

Asia News Digest

London Connections to Kyrgyz Riots

China's Future Generations at Stake in Economic Debate

Vietnam Increases Nuclear Program Fourfold

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London Connections to Kyrgyz Riots

June 20 (EIRNS)—According to news reports, the deposed Kyrgyz President Kurmanbek Bakiyev's son, Maksim Bakiyev, was entirely responsible for initiating recent ethnic riots in southern Kyrgyzstan that took reportedly 2,000 lives.

Over the years, under the tutelage of his father, Maksim Bakiyev became the most important controller of opium/heroin produced on the Kyrgyz side of the fertile Ferghana Valley, and the Afghan drugs that run through Kyrgyzstan into Russia. The drug-generated money power had allowed Maksim Bakiyev to link up with bankers and investors in the netherworld.

One such beneficiary of Maksim Bakiyev's drug money is a Latvian banker, Valerie Belakon, who is allegedly using Bakiyev's drug money to buy a British soccer club, Blackpool.

Sources point out that Maksim Bakiyev, who came over to Britain seeking asylum and has since been "arrested" by the British Border Forces, may have played himself into a British plan to separate the southern part, which will then be under control of London. Since the Ferghana Valley, and the southern part of Kyrgyzstan, in particular, produce a lot of drugs, Britain and George Soros had been looking longingly to gain control of this area. However, the violence in Osh, Jala-Abad, and elsewhere in southern Kyrgyzstan, could bring the well-entrenched Islamic terrorists, led by the British-controlled Hizb ut-Tahrir, to power in Bishkek in the foreseeable future.

China's Future Generations at Stake in Economic Debate

June 24 (EIRNS)—China's economic growth "faces tremendous challenges both at home and abroad," whatever the "unrealistically optimistic" views of some Western observers, who claim China will move ahead rapidly in the alleged "post-global economic crisis" situation, wrote Prof. Pang Zhongying of Beijing's Renmin University, in *China Daily* today. "Hundreds of millions of Chinese still work for low wages. They may have powered China's economic development, but they can hardly meet all their needs and prepare their next generation for a better future," wrote Pang, a longtime reader of *EIR*. "More than anyone else, it is they who deserve higher wages," and more and more workers in China are now demanding higher wages, he wrote. The government is aware that China's "irrational income distribution" is ever-widening the income gap between rich and poor, Pang wrote, and has intensified efforts to ensure that workers get more of the national income flow.

However, China faces two huge challenges: depletion of natural resources in the recent decades of rapid growth, and the crises in its two biggest external markets, the European Union and United States. China is in no situation to "outshine" the rest of the world economy, Pang wrote: "China, in fact, faces more severe challenges than the West, and is likely to do so in the near future."

During the recent period, much attention has been paid to strikes at Honda and elsewhere. Anti-China forces have been working themselves into euphoria over this as a sign of "burgeoning anti-government trade unionism." While there may be some elements in China playing such a game, the fact that these strikes have been permitted, indicates that the government may see these as a means for the Chinese workers to force wage increases from their employers, and thereby to improve the economic conditions of the workers in the factories.

Vietnam Increases Nuclear Program Fourfold

June 23 (EIRNS)—The government of Vietnam has announced a major upgrade of its nuclear power program, increasing the number of planned reactors from 4 to 13 by the year 2030, and the planned output from 4,000 megawatts to 15-16,000 MW. Vietnam already had one of the most ambitious nuclear programs for a smaller, less developed country, with four reactors planned to be on line by 2022, the first two of which are almost certainly to be built and financed by Russia.

The new plan extends the timeframe of the development to 2030, and envisions a completely nuclear energy base for Vietnam in the future. According to the government website:

"The development of nuclear power is divided into three phases.

"The first phase (by 2015) aims at completing the approval of investment project, selecting location and contractors, and training the human resources for the construction of the first nuclear power plant. Mechanisms and policies on forming and boosting the engagement of domestic players in equipment and material provision, construction, installation, project management, supervision and quality control plant will also be issued.

"In the next five year stage, the first turbine of the Ninh Thuan Nuclear Power Plant 1 will be finished and put into operation by 2020. The second plant will also be built during this period.

"For the last phase until 2030, the next nuclear power plants will continue to be built, *making nuclear power the country's main energy*. During this period, Vietnam targets to master the technologies of designing nuclear power plants and to raise domestic enterprises share up to 30%-40% in each nuclear power project."

The reactors will be built in eight locations in the central provinces of Ninh Thuan, Binh Dinh, Phu Yen, Ha Tinh and Quang Ngai. Today the country's development centers around Hanoi in the North and Ho Chi Minh City (formerly Saigon) in the South. Bringing this concentration of advanced power to the central provinces will transform the development of the country and of Southeast Asia as a whole.

Vietnam had a shortage of 2 billion kilowatt-hours in the first five months of the year, according to the state electricity body, and forecast electricity demand growing at a 16% annual rate.

Vietnam will be the representative of the Association of Southeast Asian Nations (ASEAN) at the G20 meeting this year, so this announcement, just before Prime Minister Dung takes off for Canada, can be considered the country's gift to the conference, which sorely needs this type of thinking.

Obama Delays Handing Over Operational Command to South Korea

June 27 (EIRNS)—President Obama today held a series of bilateral meetings with South Korean President Lee Myung-

bak, in the context of the G20 summit. Prior to the meeting, Obama announced that the U.S. was delaying the turning over of operational control of U.S. forces in South Korea, scheduled to occur in 2012, until 2015. According to briefers at the summit, this move was in response to a request from South Korean authorities, and is undoubtedly meant as a signal to North Korea that the U.S. military is there to stay. Obama also used the opportunity to ratchet up the rhetoric against the North, saying that the destruction of South Korean ship *Cheonan*, for which North Korea is being blamed, would have "consequences."

Africa News Digest

- [South Africa Jettisons the PBMR](#)

South Africa Jettisons the PBMR

June 22 (EIRNS)—The suicidal decision by the South African government to pull the plug on its technologically advanced pebble-bed modular reactor (PBMR) nuclear energy project was confirmed in a statement yesterday by Jaco Kleynhans, spokesman for the South African trade union Solidarity. He said that even if the government resumed funding the project in August, "it would be a case of too little, too late."

In February, because of increasing unemployment and other negative effects of the global financial collapse, the government announced drastic spending cuts for the PBMR development program. The state-owned PBMR company initially thought it would have to lay off 75% of its 800-person staff. Now it is being reported that the company will only be able to retain 25 people. Most of the skilled employees have found jobs in other countries, such as Australia, Canada, and the U.S.A. The departure of the key personnel is what led Kleynhans to his conclusion of "too little, too late," even if a trickle of funding were to be turned back on.

By abandoning the project, South Africa is writing off its investment in the new technology as a loss, as well as giving up a ten-year lead in a technology that will become more and more desired by other countries.

The PBMR was on schedule to be the first commercial HTR in the power-generation field. Since the company's founding in 1999, it has grown into one of the largest nuclear reactor design and engineering companies in the world. In addition to the core team of some 800 people at the head office in Centurion, near Pretoria, more than 1,000 people at universities, private companies, and research institutes are involved with the project.

The PBMR is safe, clean, cost-competitive, versatile, and adaptable. It is a Generation IV high-temperature gas-cooled reactor design, capable of both generating electricity and providing process heat for industrial uses. With the PBMR program, South Africa was a world leader in Generation IV technologies. The technology, when fully developed, would be ideal for the former colonial sector, because the safe reactors, though small, could be linked in a modular fashion to provide increasing amounts of power as industry and related physical economy advanced.

The inherent safety resulting from the gas-cooled design makes the reactor cheaper to produce. Much of the cost of existing water-cooled reactors results from the complexity of the cooling system.

"The [retrenchment] process has now almost been finalized," said Kleynhans. He characterized it as "a bitter time" for South Africa, and said that "the extent of the loss caused by the termination of the project" can't be calculated: "The future simply lies in nuclear energy, and because of South Africa's current electricity problems it can really be regarded as one of the only solutions to the growing electricity needs and problems."

South Africa itself is facing an electricity crisis; yet it is wasting money on the development of windmills for electricity, but has caved into the accountant-like calculations of economists from the formerly industrial trans-Atlantic powers, who say the financial return from the project is too far in the future, and that more immediate pressing concerns should be met first.

On May 4, *Statistics South Africa* reported that the South African unemployment rate was back above 25%, with 4.31 million out of work. Nearly 1 million people lost their jobs in South Africa last year, while a further 79,000 jobs were lost during the first quarter of this year. There had been a temporary construction job employment spurt, as preparations were made for the World Cup. That job source has now dried up.

The environmental movement welcomed the shelving of the PBMR project. Richard Worthington of the British royal family-linked World Wide Fund for Nature in South Africa, said in February that the WWF had long called for government to "stop throwing good public money after bad on the PBMR." He added: "For a long time the nuclear industry has received more state support than the renewable energy industry. We hope this cut in funding signals a policy commitment to investing in renewables...."

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