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From Shakespeare's Principle of Tragedy: AMBROSE EVANS-PRITCHARD
by Lyndon H. LaRouche, Jr.

July 3, 2008

The British *Daily Telegraph*'s Ambrose Evans-Pritchard reacted suddenly, on July 2nd, against my proposal for certain actions, including a rise of U.S. Fed prime rates to 4%, a rate at a level marginally under the then current European rate. This was a proposal which I had already uttered for the advance information delivered to select circles on Saturday June 28th, but which I released for general publication on Tuesday morning distribution on July 2nd. Curiously, on that same latter date, Evans-Pritchard opened with his incredible assertion, that he was reacting against what was already the currently standard practice of the European Central Bank's Jean-Claude Trichet. There was nothing credibly news-making in the fact of Trichet's evolving, already ongoing policy at that time. So, one might ask: to whose proposed 4% rate was Evans-Pritchard actually reacting so suddenly, and so violently?...

In-Depth articles from EIR, Vol. 35, No. 27

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Feature

- **From Shakespeare's Principle of Tragedy:**
Ambrose Evans-Pritchard
by Lyndon H. LaRouche, Jr.

Referring to his own June 28 proposal for a rise of the U.S. Federal Reserve's prime rate to 4%, LaRouche remarks on some hysterical commentary by the economics scribbler for London's Daily Telegraph: 'Reading the full text of EvansPritchard's howl of July 2nd, against the backdrop of my just-uttered, proposed defense of the U.S. dollar against both the ECB and British policies, leaves no room for doubt about the issue which has suddenly shaken nervous Evans-Pritchard so mightily.' The columnist's fit could be called 'Shakespeare's revenge.'

- **BIS:**
It's Time To Drag Out the Chopping Block

Some startling assessments from the Swiss-based Bank for International Settlements, in its 2008 annual report. Startling, at any rate, for those who have not been reading *EIR*.

- **Will Your Bank Still Be Open at the End of the Quarter?**

The LaRouche Show interviewed *EIR* economist **John Hoefle** and LaRouche Youth Movement organizer from Seattle **Stuart Battle**.

World Food Crisis

- **Inaction on Food Crisis Is Leading to Genocide**

Since the June 3-4 meeting of the UN Food and Agriculture Organization in Rome, there has been high-profile talk about food aid, and lip-service to improving farming in poor countries, but conspicuous non-action to end those globalization policies that created food scarcity

and hyperinflation in the first place: free trade, speculation, cartelization, and foodforbiofuels.

- **Danish Parliament Probes Food Crisis**

The Schiller Institute put the focus on the free market vs. political intervention to secure the world's food supply.

- **Grain, Legume Producers Want To Grow More Food in Colombia!**

EIR discussed how Colombia could mobilize its agriculture potential to contribute to doubling world food production, with **Dr. Napoleón Viveros**, who heads Colombia's National Federation of Grain and Legume Producers.

National

- **Obama Makes Radical Change, by Shifting to the 'Right'**

Since Hillary Clinton's suspension of her Presidential campaign, Barack Obama has changed his positions on a whole series of issues, on which he had seemed to stake his political identity. Follow the money trail.

- **As of Now, Obama Would Lose!**

A July 1 statement by Lyndon H. LaRouche, Jr.

- **The Dirty Operation Against Zimbabwe:**

- Soros, Abramoff, and British Africa**

The British empire's effort to overthrow the Zimbabwe government is being run through the political apparatus of billionaire speculator George Soros.

- **Abramoff and Africa**

- **David Lowe and Africa**

- **The Zimbabwe Trust Gang In Other Capers**

- **Parson Malthus Joins the U.S. Military**

Washington now has a doctrine for intervening in foreign countries, and trying to remake them according to some other image of what those countries should be; the outlook underlying that doctrine is decidedly Malthusian.

International

- **For a Europe of the Fatherlands:**

- Mr. Sarkozy: Pull Down the Tower of Babel!**

- by Jacques Cheminade,**

chairman of the French *Solidarity and Progress* party and LaRouche's leading associate in France.

- **Zepp-LaRouche:**

- Germany Is Still a Constitutional State**

- **A Future for Europe, and for Europeans**

- **Italy:**

- The Nation vs. the 'Britannia' Faction**

- **Exposed:**

- The British BAE Hand Behind The Drive for World War III This Year**

- **Colombia's Rescue:**

- Victory Is Possible**

- **British Ops Create Ring of Chaos Around China**

- **Lyndon LaRouche to La Sapienza University:**

'What Is Creativity?'

During a visit to Rome June 18-19, LaRouche addressed a seminar at the Physics Department of La Sapienza University.

- **LaRouche in Rome:**

Thirty Years After the Moro Assassination

LaRouche spoke before an event commemorating **Aldo Moro**, the former Italian prime minister and leader of the Christian Democratic Party, who was kidnapped and murdered 30 years ago.

Book Reviews

- **A Slow-Motion British Coup in South Africa**

After the Party: A Personal and Political Journey Inside the ANC

by Andrew Feinstein;

Thabo Mbeki and the Battle for the Soul of the ANC,

by William Mervin Gumede.

Editorial

- **Abraham Lincoln on The Declaration of Independence**

U.S. Economic/Financial News

Bottom Falls Out of Auto Sales; More Plants To Close

Los Angeles, Miami Home Foreclosure Rates More Than Double

Unemployment on the March in Financial Crisis

LaRouche Endorses Aldrin's Call for Funding NASA

Bottom Falls Out of Auto Sales; More Plants To Close

July 1 (EIRNS)—A new wave of shutdowns of auto plants—a core component of the machine-tool capability of the U.S. economy—has been triggered by the collapse of auto sales in the United States.

Chrysler Corp., whose June sales fell by a shocking 36% from a year earlier, and is rumored to be on the block of its hedge fund owner Cerberus, is shutting down its St. Louis center of assembly. Chrysler announced indefinite shutdown of the St. Louis South assembly plant, laying off 1,500 workers ("We see no need for the capacity in the future," said President Tom LaSorda); and the layoff of 900 more at the St. Louis North assembly plant. Ford auto assembly in St. Louis was shut down in early 2007, and now the parts plant of Canada-based Magna International in the area is threatened.

Automakers are shutting plants which were not even on the national list of 65 targetted plants, published in May 2006 by *EIR* (31 of them have closed since). The Chrysler St. Louis plants were not considered threatened then; neither were the

GM plants in Janesville, Wisc., and in Ontario, and several Ford plants which are now to be closed.

The bottom fell out of the depressed U.S. auto sales market in May and June, as Americans lost their jobs and/or were hit by hyperinflation in fuel, food, and many other costs. The June sales of the top six automakers (GM, Toyota, Ford, Chrysler, Honda, and Nissan) combined, were down a full 20% from one year ago.

Los Angeles, Miami Home Foreclosure Rates More Than Double

July 2 (EIRNS)—New foreclosures almost quadrupled in Los Angeles, and doubled in Miami, in the second quarter, with as much as \$5 billion worth of loans going bad in Los Angeles alone, according to PropertyShark.com. The number of homes scheduled for auction in Los Angeles rose to 14,505, compared with 3,797 in the same period a year earlier. In Miami-Dade County, Florida, the number climbed to 2,677 from 1,282.

The percentage of U.S. homes in foreclosure more than doubled since December 2006 to about 2.5% last March, according to the Washington-based Mortgage Bankers Association.

In New York City, foreclosures climbed 49%, and in Seattle foreclosures in the quarter rose 48% from a year earlier.

The number of foreclosure sales slated in Los Angeles jumped 63% in the second quarter from the first quarter. The figure rose 28% in Seattle, 20% in Miami, and 5% in New York.

Unemployment on the March in Financial Crisis

July 3 (EIRNS)—Working people of American households in the "lower 80%" by income, are not only being clobbered by inflation in fuel, food, health care, and local taxes—more and more are losing their jobs. Two reports from the government on July 3 showed more trouble for the labor force and its core industry. The Bush "stimulus" has only fed the inflation, doing nothing for the jobs, as economist Lyndon LaRouche forecast.

New unemployment claims broke the so-called "recession level" of 400,000 in the week ending June 28, hitting 404,000. The steadily climbing four-week moving average of new unemployed hit 390,500, up 30% since the end of 2007. The monthly report on total U.S. employment in June was another disaster: 438,000 jobs have been eliminated, net, in the first six months of 2008, including 250,000 well-paying manufacturing jobs and 120,000 jobs in construction. But in June, the biggest loser was "business and professional services" jobs—the Wall Street banks and brokerages, the mortgage and insurance outfits—which dumped 51,000 jobs net for the month.

The official unemployment rate did not rise in June only because another 144,000 people dropped out of the shrinking labor force, according the Bureau of Labor Statistics, as discouraged unemployed workers stopped looking for jobs, and students who had been job-hunting in April and May gave up. The number of "unattached" and discouraged labor force dropouts has now reached 1.6 million officially. Added to 8.5 million officially unemployed and 5.4 million forced to work only part-time in June, that means the *real* unemployment rate did rise, past 10%: 15.5 million out of a 153 million-strong civilian labor force.

The worst economic danger lies in the disintegration of the auto/machine-tool industries; they've now lost 16% of their workers in just the past 24 months, and mass layoffs are accelerating as the plants that make pickup trucks and SUVs—or engines, parts, and systems for them—are being shut down across the country.

LaRouche Endorses Aldrin's Call for Funding NASA

June 29 (EIRNS)—In an interview published today in London's *Sunday Telegraph*, Buzz Aldrin, the second man to step onto the surface of the Moon, said he intends to lobby Barack Obama and John McCain to ensure they fund NASA's goal to establish a permanent base on the Moon and then send a manned mission to Mars. After the Space Shuttle makes its last flight in 2010, it will be five years before its replacement is ready. In that time U.S. astronauts will have to be flown to the Space Station on Russian vehicles.

Aldrin said: "To me it's abysmal that it has come to this: After 50 years of NASA, and after putting \$100 billion into the Space Station, we can't get our own astronauts to our Space Station without relying on the Russians." His message to the next U.S. President is:

"Retain the vision for space exploration. If we turn our backs on the vision again, we're going to have to live in a secondary position in human space flight for the rest of the century. These are important issues for consideration by the potential leaders of our country. They're not welcome criticisms for the present heads of NASA."

Aldrin continued: "All the Chinese have to do is fly around the Moon and back, and they'll appear to have won the return to the Moon with humans. They could put one person on the surface of the Moon for one day and he'd be a national hero."

He concluded: "The biggest benefit of Apollo was the inspiration it gave to a growing generation to get into science and aerospace. Are we inspiring the workforce now to work on things we need? No! We can do wonderful science on the Moon, and wonderful commercial things. Then we can pack up and move on to Mars."

Lyndon LaRouche today gave his full endorsement to Aldrin's statement. During his candidacy for the Democratic nomination for President in 1984, LaRouche aired a half-hour show on national network TV entitled "Woman on Mars."

Global Economic News

World Bank Report: Biofuels Cause 75% of Food Inflation

Top French Shipping Executive Calls Oil Price Hike a Fraud

Vietnam To Reduce 2008 Coal Exports by 38%

Japan Rejects TCI's Bid

World Bank Report: Biofuels Cause 75% of Food Inflation

July 4 (EIRNS)—A secret World Bank report reveals that biofuels are responsible for driving up global food prices by 75%, according to a report in the July 4 London *Guardian*, which obtained a copy of the report. It also refutes the idea that the cause for runaway food prices has anything to do with Indians and Chinese eating too much—the popular explanation. The report was not made public, so as not to embarrass the Bush Administration (not to mention almost all Western governments), which claims that biofuels are responsible for less than 3% of food-price rises, said the *Guardian*. Completed in April, just before the food crisis became front-page news, the *Guardian*'s report comes out on the eve of the G-8 summit next week in Hokkaido, Japan, where the leaders of the world's leading industrial nations will most likely make the same lying statements that have been made on biofuels and speculation, as not being responsible for runaway

prices.

The report's findings, according to the *Guardian*, parallel those of the soon-to-be-released Gallagher Report, by the British government, which states that biofuels have played a "significant" part in pushing up food prices. This report should have been released already, suggesting that it, too, is being suppressed.

On the lie that runaway food prices are caused by an improved diet in India and China, the report says: "Rapid income growth in developing countries has not led to large increases in global grain consumption and was not a major factor responsible for the large price increases." It states that even the droughts in Australia have had marginal impact, but rather it is the drive for biofuels by the EU and United States which has had the biggest impact on food supply and prices.

Since April, all gasoline and diesel in Britain has had to include a 2.5% complement from biofuels. The EU has been considering raising that target to 10% by 2020. "Without the increase in biofuels, global wheat and maize stocks would not have declined appreciably and price increases due to other factors would have been moderate," says the report. The prices on a basket of food examined in the study rose by 140% between 2002 and 2008. Estimating that fertilizer prices accounted for an increase of only 15%, it states that biofuels have been responsible for a 75% jump in prices over that period.

The *Guardian* writes that the report "argues that production of biofuels has distorted food markets in three main ways. First, it has diverted grain away from food for fuel, with over a third of U.S. corn now used to produce ethanol and about half of vegetable oils in the EU going towards the production of bio-diesel. Second, farmers have been encouraged to set land aside for biofuel production. Third, it has sparked financial speculation in grains, driving prices up higher."

Unlike other studies, its author, senior World Bank economist Don Mitchell, undertook a detailed month-by-month analysis of the increase in food prices, which revealed the striking impact of biofuels on the price of food and on the food supply.

The *Guardian* quotes former chief scientist of the British government Dr. David King as saying, "It is clear that some biofuels have huge impacts on food prices. All we are doing by supporting these is subsidizing higher food prices, while doing nothing to tackle climate change."

Top French Shipping Executive Calls Oil Price Hike a Fraud

July 5 (EIRNS)—One of the world's leading shipping executives called the oil price hike a hoax by speculators. Jacques Saade, the head of the French shipping company CMA & CMG, the third-largest in the world, recently told the French daily *Le Figaro* that the world shipping industry is facing a serious downturn because of the faltering world economy: "It is a latent crisis that will take time to disappear. I don't see it getting better before the end of 2009," Saade warned. Then he pointed to the high oil prices, which now account for 60% of the cost of shipping saying, "This [oil price] boom is artificial. Only speculation can explain the run up in price. One way or another, governments must put a stop to this."

Saade's statement can be taken as extremely authoritative. While CMA & CMG is mainly a container line, the shipping industry is intimately involved in the oil spot market, with shipping prices, which are also a target of speculation, going up and down based on the level of demand for oil. Owners of tanker fleets work hand-in-hand with oil speculators such as Marc Rich.

Vietnam To Reduce 2008 Coal Exports by 38%

June 5 (EIRNS)—Vietnam will cut overall exports of coal by as much as 38%, to 20 million metric tons this year, to ensure domestic supplies. The nation will reduce its 2008 shipments from more than 32 million tons last year, Nguyen Thanh

Bien, Vice Minister of Industry and Trade, said at a government meeting in Hanoi this week.

Vietnam is the largest supplier of imported coal to China, and the cut will force southern Chinese power producers to transport fuel from northern mines, or import it from further afield.

The fuel is needed for the consumption of the domestic energy industry, Bien said.

Coal exports in the first half of the year fell to almost 14 million tons from 16.3 million tons a year earlier, according to Bien. The government last month raised the export duty on coal to 20% from 15% to reduce shipments.

Coal generates most of the electric energy in China, while coal export is a major source of Vietnam's foreign exchange.

Japan Rejects TCI's Bid

June 30 (EIRNS)—During a shareholder meeting on June 26, J Power, one of Japan's major power companies, solidly defeated an attempt by a British hedge fund, The Children Investment Fund, at looting J Power. TCI sought to have J Power increase dividends, appoint outsiders to its board of directors, place a limit on cross-sharing, stock-buying, and implementing a 70 billion yen stock buy-back program.

United States News Digest

CIA Operative Claims Agency Retaliated Against Him

McCain Brings in Some Cheney Boys

Al Gore's 'Revolution in Military Affairs'

Agent of Your Enemy, Soros, Runs Pelosi Policy

Army History Blasts Paul Bremer on Iraq Occupation Policy

CIA Operative Claims Agency Retaliated Against Him

July 1 (EIRNS)—The *Washington Post* reported today on a recent motion by the plaintiff in a long-pending lawsuit in Federal court in the District of Columbia, to make available to the public information in his legal filings which was classified by the CIA, but which has since been declassified. The *Post* reported that the motion by the plaintiff (his name is classified), a former CIA operative, concerns his findings on Iran, which "were contrary to agency views at the time." The plaintiff, who filed his lawsuit in December 2004, says he tried to warn the CIA about faulty intelligence on Iraqi weapons programs, and that CIA officials also ignored evidence that Iran had suspended work on a nuclear bomb. The Agency fired him in August 2004, after subjecting him to what he calls sham counter-intelligence and internal-affairs investigations.

The plaintiff says that he was recruited to the CIA in 1982 as a contract covert operations officer, conducted numerous successful covert operations while in the Directorate of Operations, and as a result was approved for civil-service ranking, and for the CIA Special Intelligence Medal for his recruitment of a source regarding a country's weapons of mass destruction program. In 1995, he says, he was assigned to the CIA Counter Proliferation Division, and "recruited many

'hard-target' human 'assets.'"

The plaintiff says that in 2001, he met with a "highly respected human asset [REDACTED]" but was instructed to write no report about it; although he was told that former CIA Deputy Director of Operations James Pavitt and the Counter Proliferation Division Chief would personally brief the President, he says that he believes no such briefing occurred, "and therefore the President was misled by the withholding of vital intelligence." In return, the plaintiff was told that his promotion and medal-award would be withheld until he ceased handling the "asset."

According to one well-placed U.S. intelligence source, the plaintiff speaks fluent Farsi and Arabic, and had recruited informants who worked at the Natanz nuclear enrichment facility in Iran, and at a second site, also involved in Iranian nuclear research. The source suggested that the recent press coverage of the three-and-a-half year old case is part of the effort to prevent a U.S. or Israeli strike against Iran.

McCain Brings in Some Cheney Boys

July 3 (EIRNS)—Sen. John McCain's decision to bring Steve Schmidt in as senior campaign advisor in charge of day-to-day operations, brings the Dick Cheney-Karl Rove dirty tricks apparatus into the middle of his campaign. In 2004, Schmidt was appointed as a member of the exclusive "Breakfast Club," led by White House advisor Karl Rove, to help in running President George Bush's 2004 re-election campaign, with Rove mentoring Schmidt. Vice President Cheney later appointed Schmidt as his counsellor; on occasions, Schmidt served as a Cheney spokesman. Schmidt then became the chief strategist for the Bush-Cheney White House, to usher through Congress the nominations to the Supreme Court of Federalist Society fascists John Roberts in September 2005, and Samuel Alito in January 2006.

Al Gore's 'Revolution in Military Affairs'

July 2 (EIRNS)—As part of Gore's 1990s "Reinventing Government" scheme, to make the state function "more like a corporation," Gore assembled a task force to diminish the government role in the U.S. military, while putting crucial in-house functions, such as logistics and technology, increasingly into the hands of the private sector. The program was said to serve the public by cutting excess government expenditures, but it is really a move for fascist austerity, under the hypocritical guise of "saving the taxpayer money."

The Task Force on Defense Reform was set up in 1993 as part of Gore's National Performance Review (NPR), which sought to make the government "leaner and smaller" by "inject[ing] competition into everything we do" and searching "for market, not administrative solutions" to budget problems.

The Task Force on Defense Reform published its recommendations in 1997 for cutting or eliminating defense organizations and personnel, reducing military expenditures by contracting military functions to the private sector, and setting into motion the BRAC military base closures of 2005. After publication, the Task Force and its recommendations were integrated into the Defense Science Board (DSB) as a sub-task force to conduct independent assessments of "defense reform." The Defense Science Board is a highly influential advisory committee on defense strategy, advising the Secretary and Undersecretary of Defense, the Undersecretary of Defense for Acquisition, Technology, and Logistics, and the chairman of the Joint Chiefs of Staff.

Agent of Your Enemy, Soros, Runs Pelosi Policy

June 30 (EIRNS)—The Democratic Party leadership is under the thumb of self-proclaimed Nazi collaborator George Soros. The chief counsel for House Speaker Nancy Pelosi (D-Calif.) since the beginning of her term in that office, Feb. 8, 2007, is

Joseph Onek, a key operative for Soros's Open Society Institute. Onek was chief policy advisor for the Justice Departments' Office of Special Investigations (OSI), and its so-called "civil liberties spinoff," the Open Society Policy Center, which was created "after September 11th" to promote public policy reform.

With Onek as chief counsel, Pelosi is *hard-wired* into Vice President Dick Cheney's preventive war machine. The Open Society Policy Center has been one of the main bludgeons for regime change, and every kind of attack, including threats of military invasion against Myanmar. In 2004, the Soros front hired Orion Strategies, LLC to assist with "legislative and other advocacy in support of the cause of freedom in Burma, by providing strategic planning, lobbying, drafting legislation, recruiting allies for the Burmese democracy movement in Washington, D.C., and increasing the visibility and capacity of the members of the Burma government in exile and their colleagues."

Orion Strategies, LLC is owned and run by Randy Scheunemann, one of the founders of the (now defunct) Project for the New American Century, which wrote the strategy for preemptive war against Iraq in 2000, long before Bush became President. Scheunemann was also one of the founders of the Committee for the Liberation of Iraq, which was involved in the Straussian cabal's propaganda and intelligence concoctions against Iraq.

Is this Cheney/Soros connection one of the reasons that "Mis-Leadership" Pelosi ordered the Democrats to take impeachment of Cheney "off the table"? In September 2006, not only did Onek declare that it was "most unlikely" that the Democrats would take over the Congress, at an event held at Shepherd University, but he added that, in any case, "impeachment would be a foolish case of bad judgment." He also said that it would be foolish to put the Bush Administration up on charges of war crimes, since this would encourage certain foreign nations to put out warrants on this issue. This was after he denounced the Bush White House for granting itself immunity under the rubric of "executive privilege."

Army History Blasts Paul Bremer on Iraq Occupation Policy

June 29 (EIRNS)—The *New York Times* reported today that a U.S. Army history of the Iraq War, which is to be made public tomorrow, faults the occupation plan for Iraq. According to the article, "Paul Bremer, who replaced Jay Garner ... as the chief civilian administrator in Iraq, issued decrees to disband the Iraqi Army and ban thousands of former Ba'ath Party members from working for the government, orders that the study asserts caught American field commanders 'off guard' and in their view 'created a pool of disaffected and unemployed Sunni Arabs' that the insurgency could draw on." Bremer is a long-time enemy of Lyndon LaRouche from before the Iraq War, and LaRouche has long criticized Bremer for his mishandling of the situation in Iraq.

Ibero-American News Digest

Fernández: Blame 'Financial Gamblers' for Soaring Food Prices

British Empire Threatens Social Upheaval for Argentina

Argentine Soros Hack Goes Berserk over LaRouche

Honduras Rejects, Guatemala Accepts Free Trade To Resolve Food Crisis

LYM: Defending Mexico's Oil Is Not Sufficient

Fernández: Blame 'Financial Gamblers' for Soaring Food Prices

July 1 (EIRNS)—Speaking today at the opening of the 35th Mercosur (Common Market of the South) Summit, Argentine President Cristina Fernández de Kirchner blamed speculators and "financial gamblers" for having caused the dramatic rise in food prices over the past year.

The crisis of food prices has been blamed on China and India, Fernández said, a charge "which makes me feel something between indignation and laughter." A lot of people who didn't eat so well before, are now eating better, maybe twice or three times a day instead of once, "and suddenly that's a problem?"

Face the facts, she said. The real culprit is speculation, "the casino economy, the speculative economy," which used to be limited to the financial sector, but with the crisis in those areas, has now moved into food. There's a very appropriate term in the Rio de la Plata region, which is the *timba*, Fernandez explained. This refers to a den of gamblers, who bet on the throw of the dice. "Well, gentlemen, the financial 'timba' has now moved into the food 'timba.'"

British Empire Threatens Social Upheaval for Argentina

June 28 (EIRNS)—Enemies of the Argentine President used the June 25 celebration in Buenos Aires of the patron saint of the Military Order of Malta—the synarchist character of the order has been documented by *EIR*—to threaten Cristina Fernández de Kirchner with social upheaval, should the Congress approve the sliding-scale export tax on soybeans and sunflower seeds currently being debated. The event was hosted by the current Argentine ambassador to the Order, a close confidant of former IMF poster-boy, ex-President Carlos Menem.

Four former Presidents—Menem, Fernando de la Rúa, Eduardo Duhalde, and Ramon Puerta—agreed that nothing short of a vast "social uprising" would occur, should the President and her husband, former President Néstor Kirchner, continue on their current policies. One warned that today's agricultural strike "will just be an anecdote very shortly," compared to what's coming.

Duhalde, a Peronist party thug who was President during the crisis of 2002-03, is positioning himself as the alternative to the Kirchners, whom he despises. To situate his policy outlook, one need look no further than his recent ardent defense of the oligarchical Rural Society, a British asset, from the President's charge that it supported the 1976 military coup. He also threatened her government with a coup. Duhalde made the astonishing assertion—in blatant justification for the 1976 coup—that Peronism itself was far more responsible for that coup than anything the Rural Society oligarchs had done.

Argentine Soros Hack Goes Berserk over LaRouche

June 30 (EIRNS)—Lyndon LaRouche's charge that British financier interests, including George Soros, are behind the drive to destabilize Argentine President Cristina Fernández de Kirchner's government, has driven longtime Soros operative Horacio Verbitsky off the deep end, once again.

In the June 29 edition of the daily *Pagina 12*, this "journalist" pens a slander of LaRouche which, like most of his past utterings on the subject, is lifted entirely from the writings of the professional "Get LaRouche" operative Dennis King, who is financed by that most right-wing of U.S. intelligence-connected outfits, the Smith Richardson Foundation. "Leftist" Verbitsky strings together a hodge-podge of lies, some of them so unintelligible and outlandish that any thoughtful reader would immediately ask, "What's going on here?"

What flipped Verbitsky, is LaRouche's attacks on his longtime benefactor George Soros, and the British Empire forces that

pull Soros's strings. But, Verbitsky never mentions Soros's name, although the mega-speculator figures in LaRouche's statement as "part of the British operation against Argentina."

This is lawful, given Verbitsky's longtime association with the drug-legalizer and speculator, through his membership in Human Rights Watch/Americas, which Soros began backing financially in the late 1970s, and where he still sits on the Advisory Board. In 1998, HRW/Americas poured money into Verbitsky's *Pagina 12*, awarding him one of its Hellman/Hammett Grants. A year later, Soros named Verbitsky to the HRW/Americas Advisory Board, alongside Soros and a number of other luminaries of the U.S. political establishment, many of them closely tied to Wall Street.

Honduras Rejects, Guatemala Accepts Free Trade To Resolve Food Crisis

June 29 (EIRNS)—Honduras's Agriculture Minister Hector Hernandez declared on June 27 that under no circumstances could his country eliminate tariffs on imported grains, as a way to resolve the food crisis. To do so "would directly hurt our national producers, who receive no subsidies as is done in other nations."

He added that when President Manuel Zelaya took office in 2006, he had committed himself to making Honduras once again self-sufficient in food. To impose more free trade, as Mexico has done, is not an option, he stated. Honduras has enough supplies of basic grains to last through September, the minister said, when the next harvest for basic grains will begin.

In contrast, the Guatemalan government has eliminated tariffs on ten food items that make up the basic market basket, and just received permission from the Council of Central American Finance Ministers to eliminate tariffs on powdered milk and poultry imports.

Mexico's free market policy has so destroyed the nation's food-producing capabilities, that Mexico City Mayor Marcelo Ebrard has initiated a "backyard agriculture program." The city will provide technical support and agricultural supplies to urban residents, encouraging them to use their gardens, yards and rooftop terraces to produce food that would normally be provided by farmers.

LYM: Defending Mexico's Oil Is Not Sufficient

June 29 (EIRNS)—The LaRouche Youth Movement (LYM) filed the following report today from Mexico City, providing insight into the strategic conception with which they are organizing the ferment spreading across Mexico:

"Today, there was a mass mobilization in Mexico City's central plaza known as the Zocalo, as part of the national mobe being led by Andrés Manuel López Obrador (AMLO) against the government's attempted privatization of the state oil company, PEMEX. Our job was to force the food crisis question into the discussion, because despite everyone's awareness that the money in their pockets is both shrinking *and* buying less, and that all the people planning to participate in the mobe are already politicized, there has been no discussion of how the privatization of PEMEX is merely one aspect of a broader resource grab, by British interests desperate over the collapse of the financial system.

"Given the size of the crowd, we decided we must inspire people with our songs, to permit a deeper debate than the defense of oil.

"We prepared two banners: The largest, 2 by 3 meters, said: 'Financial Crisis, Food Crisis, and Oil. Don't Be a Jerk.... Fight for a NEW SYSTEM. LaRouche Movement for a New World Economic Order'; the other: 'Defending Oil Is for Patriots, But Not Defending Food Is for Idiots.' We armed ourselves with publications, leaflets, and the words to the song 'Why have

they raised the price of tortillas?', so that people could join us in chorus.

"Our squad arrived to a very full Zocalo. We found a place to prop up our largest banner, very well situated to be seen by all. At the end of AMLO's speech, we took to one of the main streets leading away from the Zocalo, into which people were pouring, and for the next three hours, we sang, and organized. Crowds of 50-60 people at a time listened attentively, and approached to donate and leave their contact information.

"It was so successful because all these people not only heard us singing something profound and happy at the same time, but because we were offering a strategic report, from which it became clear to the majority that discussion of the oil could not be the *only* theme."

Western European News Digest

Polish President Sees No Reason To Sign Lisbon Treaty

German Defender of National Sovereignty Gains Media Visibility

Military Purge in Spain

Knives Are Out Between Sarkozy and French Army

France Proposes 'Militarization' of European Space Policy

British Labour Party Election Losses Blamed on Economy

Polish President Sees No Reason To Sign Lisbon Treaty

July 1 (EIRNS)—President Lech Kaczynski said in Warsaw June 29, that for him, for now, the question of the European Union's Lisbon Treaty is pointless. Kaczynski said the treaty is blocked, because with Ireland voting "No," the principle of unanimity among the 27 EU member states no longer permits proceeding on the Treaty. The principle of unanimity is binding here, he said, stressing that Poland must protect small EU countries' rights, as it is not a major EU power itself (and does not want to be bullied by the big ones).

German Defender of National Sovereignty Gains Media Visibility

July 3 (EIRNS)—On July 1, Prof. Karl-Albrecht Schachtschneider, the legal expert who filed a constitutional complaint in Germany against the Lisbon Treaty, took part in a roundtable discussion on Phoenix television in Germany, on a program entitled "EU in a Crisis—Can Europe Still Be Saved?" together with another legal expert, Herbert von Arnim. This is the first time that a major television network has given Schachtschneider the opportunity to present his arguments against the Lisbon Treaty.

Schachtschneider's most devastating critique against the Treaty, is that it confers full powers to the EU Commission and the EU Council of Ministers, to change the Treaty without consent of the national parliaments, thus changing constitutional law per decision of the EU organs. Schachtschneider compares this power, which is embedded in Article 48 of the Treaty, to the 1933 Enabling Legislation (*Ermaechtigungsgesetz*) that gave dictatorial powers to the Nazi regime.

Military Purge in Spain

July 2 (EIRNS)—Spanish Defense Minister Charme Chacon announced the removal of Spain's top military leadership, including Chief of the Defense Staff Gen. Felix Sanz, and the chiefs of the army, navy, and air force. She was advised not to do this by her socialist predecessor, José Antonio Alonso, and the private opinion of Premier José Luis Rodríguez Zapatero.

Chacon has purged the top military leadership of the country to further plans for more overseas military intervention. This should be seen as part of the Euro-superstate faction to increase the European Union's imperialist military intervention capabilities.

Chacon told the parliament's defense commission on June 30, that she plans to boost military operation abroad "both in peacekeeping missions and in war zones." She wants to lift restrictions on numbers of troops that can be deployed in these operations, now limited to 3,000, and to increase the military from 126,000 to 130,000, in order to raise the military presence of Spain throughout the world.

Knives Are Out Between Sarkozy and French Army

PARIS, July 2 (EIRNS)—The conflict between the French Army and the Presidency is now fully out in the open. In an act of rage after a shooting incident during an Army show in southern France, President Nicolas Sarkozy refused to salute Army officers, telling Army Chief of Staff Gen. Bruno Cuche, "You are not professionals, but amateurs." Cuche, who was to retire in August, immediately resigned.

Cuche, who opposed Sarkozy on sending more troops to Afghanistan, is known to have warned the President of the pauperization of the Army last January. Two weeks ago, a group of officers anonymously contested the Army's reform (which will shut down bases and cut 20% of military personnel) in an op-ed published in national press, and hundreds of officers refused to sing the national anthem after Sarkozy's reform speech. The soon-to-come integration of the French Army into NATO's integrated command is also a shift of policy from Gen. Charles de Gaulle's doctrine of national independence, and is not well received among the military.

Several military officers are furious about this "open disregard for the army." One anonymously told journalists, "One cannot call the men who will be fighting in Afghanistan next month, and risking their lives for France, amateurs"; another said, "The whole army supports Cuche"; and a third, "There is distrust between the Presidency and the Army, and it's worsening."

Sarkozy took on this semester's rotating presidency of the EU on July 1, and one of his main objectives is to build up a 60,000-troop intervention corps for out-of-Europe deployment, as a "European pillar for NATO."

France Proposes 'Militarization' of European Space Policy

July 2 (EIRNS)—The London *Financial Times* today reveals that the French have drawn up proposals that encourage the European Union to develop a military element to its space activities, to counter growing security threats, which, in the words of the British paper, emanate from "conventional military powers such as China and Russia as well as terrorism." The proposals have been formulated in a document sent to the EU governments ahead of a meeting later this month in French Guyana, home to the European space launch pad. The Paris-based European Space Agency said it was working on the new strategy.

France would invite others to join the six countries—France, Italy, Germany, Greece, Belgium, and Spain—that have already agreed to pool research for a new ground station, called Musis, to handle spy satellite signals.

British Labour Party Election Losses Blamed on Economy

June 27 (EIRNS)—The political fortunes of British Prime Minister Gordon Brown are rapidly becoming as bankrupt as the banks in the City of London. In a by-election held on June 25, the Labour Party received another humiliation, in the race for the parliamentary seat vacated by Boris Johnson after the latter was elected Mayor of London. Conservative Party candidate John Howell received 19,796 votes or 56.95%. Labour, which came in fifth, received all of 1,066 votes or 3.07%—almost 200 votes less than the neo-fascist British National Party. In the previous elections, Labour, although it did not win, had over 14,000 votes. The Liberal Democrats came in second with 27.85% and the Greens came in third with 3.8%. The collapse of the Labour vote has everything to do with the collapse of the economy, according to the *Guardian*.

The "real cost of living index," which is the measure of inflation based on prices of real expenses, is up to 10%, with food and fuel going up 23% and 26%, respectively. Brown's government refuses to drop an increase of the gasoline tax this year, and his finance minister demanded that wage increases not go beyond 2%. Some 600,000 local government workers are planning to strike next month.

Russia and the CIS News Digest

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Putin Purges Soros-Linked, British NGOs from Tax-Free List

Medvedev on Week-Long Asia Tour

July 3 (EIRNS)—Russian President Dmitri Medvedev today began a diplomatic trip to four Eurasian countries, including to Japan for the Group of Eight summit. Kremlin spokesman Sergei Prikhodko said Medvedev would hold talks with Azerbaijani President Ilkham Aliyev in Baku, moving on to Turkmenistan July 4 and Kazakhstan the next day. In Kazakhstan, which Medvedev will visit for the second time as President, he was to meet with President Nursultan Nazarbayev and also, on the sidelines of a celebration of Astana's 10th anniversary as Kazakhstan's capital, with King Abdullah II of Jordan, Turkish President Abdullah Gul, and possibly President Michael Saakashvili of Georgia.

During the July 7-9 G-8 summit, the Kremlin announced that Medvedev will have bilateral meetings with U.S. President George W. Bush, British Prime Minister Gordon Brown, French President Nicholas Sarkozy, German Chancellor Angela Merkel, Japanese Prime Minister Yasuo Fukuda, and South Korean President Lee Myung-bak. He may also meet with the Italian prime minister and the Presidents of India and Brazil.

Medvedev in Pre-G-8 Interview: Set Up Ruble-Denominated Oil Trade

July 3 (EIRNS)—In an interview with media representatives from Group of Eight member countries, recorded July 1, Russian President Dmitri Medvedev reported on Russia's establishment of "an exchange for oil and other energy resources, where trade is conducted in rubles." Lyndon LaRouche said he found the proposal interesting, in that it would tend to undercut the power of the London oil spot market, and might even contribute to strengthening the U.S. dollar, by undercutting the Anglo-Dutch ability to drive up oil prices through their control of the oil futures market. LaRouche explained that, since the breakup of the Bretton Woods system by George Shultz and other British agents in the Nixon Administration, and the launching of the London spot market during the oil hoax of the mid-1970s, the dollar has been a captive of the Anglo-Dutch speculative system, and has not been a sovereign currency. The dollar must be liberated from the spot market control, LaRouche concluded, and if the Russians are prepared to take actions that undercut the power of London, it could be useful.

A ruble-denominated oil exchange, said Medvedev, "is a step towards turning the ruble into one of the possible regional reserve currencies, all the more so as the ruble is now fully convertible.... The main thing now is for the ruble to be seen as a reliable currency, in which savings can be placed and which can be used to carry out transactions."

Medvedev's interview began with the grave international financial crisis. Medvedev has focussed on the systemic nature of the crisis, and the Russian government's idea of the ruble as a reserve currency, in several recent interviews and speeches, as well as at a June 25 meeting with Russian VTB bank head Andrei Kostin about specific measures, including the oil exchange.

Paulson Spends Two Days In Moscow

July 1 (EIRNS)—U.S. Treasury Secretary Henry Paulson spent June 29-30 in Moscow, meeting with President Dmitri Medvedev, Prime Minister Vladimir Putin, and Finance Minister Alexei Kudrin. The talks were part of the run-up to the July 7-9 Group of Eight summit in Japan, where Medvedev has indicated he intends to present proposals for new international financial arrangements. As Lyndon LaRouche observed in his just-released article on "The Economic Debates About Russia," the Russian financial policy-makers have not broken free from the axioms of monetarism.

The meetings were featured on Russian national TV and widely covered under headlines like, "Russia Will Not Abandon the U.S.A. to the Financial Crisis." Little was revealed about their talks; Kudrin only said they discussed "real prospects for getting out of the financial crisis." Paulson, at a press conference and in a radio interview, effusively praised the benefits of Russian investment in the United States, particularly the investment of parts of its Reserve Fund and National Welfare Fund (the recently divided former Stabilization Fund, made up of oil export earnings that are kept out of Russia's own economy) in U.S. government securities. Kudrin has packaged the NWF investments to include up to 15% U.S. and European securities, including Fannie Mae and Freddie Mac bonds.

Paulson promised that the Bush Administration would push to get the Cold War-era Jackson-Vanik Amendment, which restricts trade with Russia, lifted in the context of Russia's continuing attempt to join the World Trade Organization. He portrayed himself as the friend of Russia's financial interests, as against expected opposition from Congress. Last month, Senate Foreign Relations Committee chairman Joe Biden (D-Del.) held hearings on the danger to the United States, allegedly represented by growing Russian investment here, not only in securities, but also the acquisition of American companies by Russian ones.

Putin Warns Ukraine Over Plans To Join NATO

July 1 (EIRNS)—In televised remarks on June 28, following a visit from Ukrainian Prime Minister Yulia Tymoshenko in Moscow, Russian Prime Vladimir Putin painted a grim picture of the consequences for Ukraine, should that country follow through on its desire to join NATO. The money it would cost to retool Ukraine's weapons production to NATO standards, Putin said, would be better spent on investments in high-tech cooperation with Russia—for example, in energy and aerospace. Putin and Tymoshenko were meeting as *ex officio* chairs of the Russia-Ukraine intergovernmental cooperation group.

On the tense issue of the Black Sea Fleet's basing at Sevastopol in Crimea, Tymoshenko reiterated Ukraine's commitment to fulfill the terms of the 1997 agreement that allows the basing, as well as the intention not to extend the agreement past its expiration in 2017. Putin, again playing up the benefits of Russian-Ukrainian cooperation, noted that the fleet protects both countries.

Upon her return to Kiev, Tymoshenko said that Ukraine will not be hit with another gas price shock in the near future, despite Russian Gazprom CEO Alexei Miller's recent remark that the gas price for Ukraine should rise from the current \$179 per thousand cubic meters, to \$400. Her comments touched off a flurry of rumors about secret deals reached between the Ukrainian and Russian prime ministers.

Tymoshenko is treading carefully, since her government's one-vote parliamentary majority could evaporate at any time. In Moscow, she said that a decision on Ukraine's entry into NATO would only be made after a nationwide referendum, insofar as Ukraine is committed to neutrality under its post-Soviet Constitution. Also, Tymoshenko is positioning herself to run for the Presidency. Andrei Okara, a Russia-based specialist on Ukraine, noted in an AMI-Novosti-Ukraine commentary that Tymoshenko by no means has a fixed anti-Russian position, and appears to be carving out yet another niche for herself, as the Ukrainian politician who can talk to Moscow.

Cheney Pursues Missile Defense Deals, Pushes NATO Expansion

July 3 (EIRNS)—U.S. Vice President Dick Cheney is currently very active in diplomacy with Poland and Lithuania, regarding the plan to emplace anti-missile systems in the immediate vicinity of Russia, a plan that Russian officials have said crosses a "red line" of hostility. On July 3, Cheney spent 40 minutes on the phone with Polish Prime Minister Donald Tusk, following conflicting statements by officials about how firm an agreement was, reached earlier in the week, for emplacement of anti-missile batteries in Poland.

On July 1-2, visiting Prime Minister Gediminas Kirkilas of Lithuania met with Secretary of Defense Robert Gates and Secretary of State Condoleezza Rice, including about Lithuania's serving as a back-up location for the ABM systems. Gates called Lithuania—formerly part of the Soviet Union and located right on Russia's border—a "good alternative" for the emplacement, if Poland falls through.

Meeting Kirkilas July 3, Cheney advocated plans for Ukraine and Georgia—also former Soviet republics—to join NATO, and discussed U.S.-Lithuanian collaboration to make that happen. Lithuanian President Valdas Adamkus was a former U.S. Army military intelligence specialist and U.S. Environmental Protection Agency official, before renouncing his U.S. citizenship to enter politics in his native country.

Putin Purges Soros-Linked, British NGOs from Tax-Free List

July 5 (EIRNS)—Russian Prime Minister Vladimir Putin signed a decree July 3 purging leading British and George Soros-linked international organizations from the list of those enjoying automatic access to tax-free status in Russia, *Kommersant* reported. The new decree, signed without forewarning to the NGOs, will mean that the NGOs will have to prove in the next

three months that they qualify for this status—and this will be very difficult, according to NGO officials interviewed by *Kommersant*. The new decree, to take effect on Jan. 1, 2009, slashes the number of international organizations which do not have to pay heavy 24% taxes on profits, from 101 to just 12 UN and other intergovernmental commissions and associations. All the big private foundations, including the World Wide Fund for Nature, the Soros-sponsored Global Fund To Fight AIDS, the British Royal Society, the Ford and MacArthur Foundations, the U.S. Eurasian foundation, and the Red Cross and Red Crescent societies, were excluded.

Coincident with the decree, former chief of Russia's Federal Security Service Nikolai Patrushev testified to the Duma's National Anti-Terrorist Committee that "certain NGOs" working in Russia were providing information helpful to terrorists' emissaries, while Federation Council Deputy Speaker Alexander Torshin said that 59 international NGOs "support Chechen terrorists and separatists."

Southwest Asia News Digest

Turkish Situation Could Worsen

Iraq's Shi'ites Want Referendum on U.S.-Iraq Military Agreement

Assad Calls for European Help on Syria-Israel Talks

Assad-Olmert Meeting in Paris Is 'Not on the Agenda'

Syria Looking to U.S. Aid as Part of Israel Deal

Israeli-Hezbollah Prisoner Swap Approved

Turkish Situation Could Worsen

July 3 (EIRNS)—The government of Turkish Prime Minister Recep Tayyip Erdogan could fall as the result of a court case that could see Erdogan's own ruling Justice and Development Party (AKP) banned, and he and 38 other leaders, including President Abdullah Gul, banned from politics for up to five years, and the party's headquarters confiscated by the state.

Lawyers for the Islamic oriented AKP are in court defending the party from charges brought by State Prosecutor Abdurrahman Yalcinkaya, which claim that it has violated the secular clause of the Constitution by using religion in its political activities. A judgment in the case by the country's constitutional court is expected to be handed down in the first week of August, and there is a real possibility that the prosecution will succeed. If that happens, 38 lawmakers, including Erdogan will be banned. This would require a by-election for 28 members of the 550-seat parliament

Deputy Prime Minister Cemil Cicek is presenting the AKP defense in the court. Prime Minister Erdogan himself has called the indictment "a political text, not a legal one," whose evidence was "gathered from newspaper cuttings, the correctness of which has not even been checked."

In 1998, the same constitutional court of 11 judges banned the Islamic-oriented Welfare Party, when at the time the party's leader Necmettin Erbakan was prime minister. In June 2001, the Virtue Party, a successor to the Welfare Party, was closed down by the court. Erdogan's AKP has its roots in the Virtue Party, but was considered far less doctrinaire.

Two days ago, police arrested 24 people, including two retired Army generals, accused of an ultra-nationalist plot to overthrow the government. The current commander of the Armed Forces, Ilker Basbug, issued a statement saying that the country was going through a "difficult period," and called for politicians and the media to act in a responsible manner.

Iraq's Shi'ites Want Referendum on U.S.-Iraq Military Agreement

July 6 (EIRNS)—Iraq's Shi'ite leadership will push for a referendum on the long-term military cooperation agreement being negotiated with the U.S., an aide to Grand Ayatollah al-Sistani said. "The treaty must be presented to the people and the clergy," Iman Sadreddin al Kabandji said at Friday prayers on July 4, also noting that it is unacceptable that the treaty is being worked out behind closed doors.

Assad Calls for European Help on Syria-Israel Talks

June 30 (EIRNS)—Syrian President Bashar Assad, in a meeting with Norwegian Foreign Minister Jonas Gahr Store in Damascus, called for a more active European role in the peace process between Syria and Israel. He also said that restoration of Palestinian national unity was extremely important, as it was difficult to achieve any progress on the Israel-Palestine issue without the restoration of the Arab national unity.

At a press conference with Gahr Store, Syrian Foreign Minister Walid Moallem said, "Like any process, there are ups and downs, but what is more important is that the two sides should go on with negotiations to reach these bases.... There is a chance to achieve a just and comprehensive peace. We hope the Israelis will not miss it by their partisan differences."

Meanwhile, Israel Radio and a Persian Gulf newspaper reported that Israel and Syria were preparing to hold a third round of indirect talks in Turkey in the beginning of July. According to the *Jerusalem Post*, there could be two or three additional rounds of indirect talks, after which Syria would decide whether or not to begin direct negotiations with Israel. An Israeli diplomat confirmed that talks would take place in early July.

Assad-Olmert Meeting in Paris Is 'Not on the Agenda'

PARIS, July 4 (EIRNS)—Syrian Foreign Minister Walid al Moallem stated in Paris on July 4 that a meeting between Israeli Prime Minister Ehud Olmert and Syrian President Bashar al-Assad during the Mediterranean Union summit in Paris was "not on the agenda," according to Agence France Presse. He said indirect negotiations between Syria and Israel "are only at their beginning and it is too early to make a judgment.... The aim of these discussions is to prepare the way for direct negotiations," he said, adding that before direct negotiations could start, there would have to be "a major involvement of the United States, the European Union, and Russia." Yesterday evening, Olmert declared that "soon" Syria and Israel "would have to start direct negotiations."

Regarding the Golan Heights, occupied by Israel since the June 1967 Arab-Israeli War, Moallem stated that Syria would not accept having even 1 centimeter not returned. And on Syria's relation to Iran, Moallem excluded the idea that Damascus should distance itself from Tehran—as France, Israel, and the United States wish. "There can be no preconditions to peace negotiations," he stated. "We have not demanded that Israel distance itself from the United States." However, al-Moallem said that the results of the peace negotiations "would have consequences throughout the entire region."

The Syrian foreign minister was to meet with French Foreign Minister Bernard Kouchner, and then was to be received at the Elysée Presidential Palace by its secretary general, Claude Gueant. President Nicolas Sarkozy will meet with Syrian President Bashar al-Assad on the evening of July 12, and Assad will participate in the July 14 Bastille Day military parade, in spite of massive institutional opposition from both the left and right in France. Moallem spoke today at the French

Syria Looking to U.S. Aid as Part of Israel Deal

July 6 (EIRNS)—A former Israeli diplomat said that the prospect of a peace agreement with Syria was growing, though it might require a new American President before a deal could be reached.

Alon Liel, a former director of Israel's Foreign Ministry, who has been involved in the discussions with Syria, told the London *Sunday Telegraph* that Syria would be willing to break its ties with Iran, if the United States provided military and financial backing, as part of a peace agreement with Israel. "They are asking not only for the Golan Heights but a change in Washington that will break the Syrian isolation internationally," said Liel. "But I also think they will not do it unless they are assured they have an alternative to Iran."

Israeli-Hezbollah Prisoner Swap Approved

June 30 (EIRNS)—The Israeli Cabinet finally approved the deal authorizing a prisoner swap between Israel and Hezbollah, after a strong intervention at the Cabinet meeting by Israeli Chief of Staff Gen. Gabi Ashkenazi. "I am the commander of all the soldiers ... of the living and the dead, and therefore I say to you the deal must be approved," Ashkenazi said.

The deal was opposed by only three Cabinet ministers who were among the most right-wing. Shin Bet intelligence chief Yuval Diskin and Mossad chief Meir Dagan also opposed it, but, according to the daily *Ha'aretz*, the ministers who voted "Yes" were "particularly moved to vote yes by Ashkenazi."

The deal includes the release of two Israeli soldiers, who are actually believed to be dead, and several Hezbollah prisoners from the last war, the remains of several others killed in the war, and Hezbollah prisoner Samir Kuntar, who has been serving a life sentence for the murder of an Israeli family more than two decades ago. Israel will also release several Palestinian prisoners. Hezbollah will turn over a report on Israeli pilot Ron Arad, who went missing over Lebanon in 1986. The report will indicate that Arad is not alive.

Ashkenazi's intervention reflects a strong tendency in the Israeli military establishment that seeks to ease tensions in the North with Lebanon and Syria.

Asia News Digest

London Scheme for Pushtun-Taliban Rogue State Goes Public

British-Inspired 'Democracy' Promoters Destabilize Mongolia

Not That Much of What China Exports Is Made in China

China Aims To Ensure Grain Self-Sufficiency by 2020

London Scheme for Pushtun-Taliban Rogue State Goes Public

July 1 (EIRNS)—Lyndon LaRouche has warned for the last two years of a British imperialist scheme to separate Pushtun-

dominated areas of western Pakistan, and join them with neighboring parts of Afghanistan, creating a tumultuous new mini-state which would destabilize South Asia, erase national borders, bring the region into the ambit of drug-financed, British-controlled terrorism, and threaten nearby China, Russia, and India. And the splitoff of these Pushtun areas would trigger a similar secession of Pakistani Baluchistan, to join with Iran's Baluchistan-Sistan province into a second lawless drugs-and-guns mini-state, erasing national borders.

Now what LaRouche warned of is surfacing publicly, in the wake of the insurgent sieges of Kandahar in Afghanistan, and now of Peshawar in Pakistan, the capital of Pakistan's Northwest Frontier Province (NWFP). The takeover of these areas by British-manipulated separatist and fundamentalist insurgents is not new. What is new is the public flaunting, which aims to create the false impression that this is something that just occurred, rather than back when LaRouche fully identified the phenomenon at least two years ago.

As the fact of the militants' control over Pakistan's tribal areas, the Northwest Frontier Province (NWFP) and the Northern Tribal Areas bordering Kashmir, has been publicly advertised, some Pakistanis have started proposing separation of these Pushtun-dominated tribal areas from Pakistan, and making them part of Afghanistan. The latest such suggestion came from Brig. Gen. Shaukat Qadeer (ret.), former vice-president of the Islamabad Policy Research Institute (IPRI)—a think-tank based in Islamabad. He argues that the Pushtuns in Pakistan's tribal areas will continue to support the Afghan Pushtuns against the foreign occupiers. Therefore, Islamabad should tell them that since "you feel compelled to fight in Afghanistan, we offer to liberate you from your allegiance to Pakistan and permit you to become citizens of Afghanistan; Pakistani security forces will be pulled out of your area."

Although the proposal is virtually unworkable, it is evident that many leaders in Pakistan have lost the zeal to fight the tribal and other militants to keep the country united. On the other hand, the separation of the tribal areas and the NWFP to form an independent nation, is very much the British policy. The British objective is to weaken Pakistan, create a very unstable and weak nation along the Central Asia and Iran borders, and keep China, Russia and India out of the oil- and gas-rich region.

As of now, the Pakistani Army is not making any serious effort to regain control of the area, which is now virtually under the militants' control. Militants have set up their justice and tax-collection offices in Waziristan, Khyber agency, Mohmand agency, Bajaur agency, and even inside Peshawar City.

Washington, having lost the power to influence Islamabad significantly, has apparently limited its demands to keeping open the long supply line that feeds the U.S./NATO/ISAF in Afghanistan, and allowing the Special Ops and covert CIA operators, who are already inside the tribal areas, to look for Osama bin Laden and his lieutenants there.

British-Inspired 'Democracy' Promoters Destabilize Mongolia

July 2 (EIRNS)—Mongolia, sandwiched between Russia and China, was thrown into chaos following the June 29 parliamentary elections, by the losing Mongolian Democratic Party (MDP). Accusing the ruling Mongolian People's Revolutionary Party (MPRP) of committing fraud, 6,000 MDP supporters conducted a violent protest in Mongolia's capital, Ulan Bator. Following the clash, which wounded many, between the police and the demonstrators, a curfew has been imposed in the city.

Mongolia's strategic location makes it a major target for the British and their adjuncts. Mongolia has large uranium reserves, and is in the process of developing a close relationship with Russia around the development of its nuclear power. Russia's state-owned uranium-mining enterprise, UGRK, announced a year ago that it was planning to develop uranium deposits at Erde in Mongolia. In addition, during his last April visit to Moscow, Prime Minister Sanjaa Bayar reiterated that Mongolia is interested in building small- and medium-capacity nuclear power plants with Russia's help. In advance of the

meetings, the head of the Russian state nuclear corporation Rosatom, Sergei Kiryenko, said that Russia is currently carrying out a feasibility study into such a project.

The controversial issue on which the elections were contested was the Minerals Law. This law kept the government from concluding investment agreements with international mining giants such as the British-owned Rio Tinto Zinc, Canadian-owned Ivanhoe Mines, U.S.-owned Peabody Energy, Australia-U.K.-owned BHP Billiton Ltd., among others, to develop mineral deposits in the Gobi Desert. The existing law gives the government the right to take up to 50% interest in an important mineral deposit, if state funds were used to discover it.

The proposed change would give Mongolia a minimum 51% stake. But while the ruling party wants the government to hold that stake, the Mongolian Democratic Party says private Mongolian companies should be able to hold it.

MDP, the British-inspired political group that demands democracy, is led by former prime minister Tsakhiagiin Elbegdorj. He is one of the signatories of the Britain-based Henry Jackson Society, a protégé of former Soviet President Mikhail Gorbachov, and a rabid promoter of free trade. In 1991, when the International Republican Institute (IRI) set up shop in Ulan Bator, the MDP embraced it as a harbinger of reform. First, the reformers were persuaded by the IRI to fight the next election against the ruling MPRP. Next, they were acquainted with Newt Gingrich's Contract with America. Enter the Contract with Mongolia, which promised a free-market revolution.

Not That Much of What China Exports Is Made in China

June 30 (EIRNS)—China's *People's Daily* reports that "the low level of 'Chinese content' in China's export products has resulted in exports to developed markets that are not as rewarding for China as expected." In some categories of products exported to the United States, such as computers, Chinese domestic content makes up only about 10-25%.

In 2006, for example, Chinese exports to the U.S. totaled \$201 billion. But \$113 billion of that amount was outsourced to other countries; only \$88 billion worth was really "Made in China," according to the Tsinghua-Brookings Research Center.

Chinese exports have particularly very low "domestic value added" in the processing trade. In joint ventures and wholly foreign-owned enterprises, which do more processing trade than Chinese companies, the Chinese content in their exports is below 50% and 35% respectively.

For products with less processing content, such as textiles, apparel, and furniture, Chinese exports are much higher domestic value added. Chinese companies are the major players in this sector. For state-owned enterprises, for example, 70% of exports are locally produced.

Chinese exports to developing markets have high Chinese content. Exports to Russia are 80% domestic value added, and exports to Mexico are 60% domestic value added.

To a large extent, "processing elements" of the China trade are the assembly operations preformed by low-skilled workers at low wages; such operations bring little value to the Chinese economy in terms of either skill levels or wages. The high-value components that are "processed" to a finished assembly and package usually are originally manufactured in Korea or Japan; however, such goods will usually be marked "Made in China," because that was the point of final assembly.

China Aims To Ensure Grain Self-Sufficiency by 2020

July 3 (EIRNS)—The Chinese government today approved a plan to increase grain production, to ensure that the nation

becomes over 95% self-sufficient in grain production by 2020. The goal, presented by the State Council, is to produce 540 million tons of grain a year. China is already basically food self-sufficient: It has produced bumper grain crops over the past five years, with an annual crop of over 500 million tons in 2007. However, this was 15 million tons less than total demand. China also has large grain reserves—some 150 million tons, including 40-50 million tons of rice reserves.

The Chinese nation suffered starvation both before and soon after the 1947 revolution, and is determined to prevent such disasters in the future. China faces a huge challenge: It must feed 22% of the world population with well less than 10% of world arable land. China's arable land per capita is just 12% of what the U.S. has, and 50% of what India has.

Chinese Prime Minister Wen Jiabao said that "sprawling industrialization and urbanization" are increasing the pressure on farm production. The government must be "relentless" in its commitment to maintaining a minimum of 120 million hectares of arable land, as well as improving vital water supplies and other agriculture infrastructure. The government is also committed to ensuring rising incomes for farmers.

Jilin province, in the Northwest, which is already a big grain producer (including corn), is to increase its grain production by over 5 million tons over the next five years. The national and provincial governments will invest 26 billion yuan (\$3.72 billion) in water diversion and irrigation projects, as well as improving mechanization and overall education of Jilin's farmers in advanced techniques. The program will given Jilin another 200,000 hectares of arable land, and upgrade the productive capacity of over 3 million hectares (7.4 million acres) of Jilin's current 5.3 million hectares (13 million acres) of farmland.

Africa News Digest

See InDepth for an evaluation of two recently published books on South Africa: *After the Party: A Personal and Political Journey Inside the ANC*, by Andrew Feinstein; and *Thabo Mbeki and the Battle for the Soul of the ANC*, by William Mervin Gumede. Reviewer David Cherry writes:

"In the accelerating crisis of London's worldwide economic and financial system, greater control over populations and raw materials is an imperative for the Anglo-Dutch oligarchs. South Africa is not only a target in its own right: It is also a key to controlling sub-Saharan Africa as a whole, and represents a potentially powerful center of independent development on the continent.

"These books by South Africans are propaganda for the British plan to seize control over South Africa through a "slow-motion coup." Author William Gumede, who works for the London *Economist* Intelligence Unit and BBC World Service, has patronage of the British-linked Oppenheimer interests. Author Andrew Feinstein, now living in London, wrote his book with Rockefeller Foundation support...."

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