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**The State of our Union**

**The End of Our Delusion!**

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

*The following document is presented as an urgently needed draft of what must be crafted to serve as the Platform for the coming U.S. General Election. It has been prompted by the fact that none among the putative leading pre-Presidential candidates has shown, so far, any recognition of the kind of reality which will face the voters in the coming November 2008 general election, and no sense of the issues which will have become decisive at the point of the January 2009 inauguration. It were said fairly, that all of the putative candidates, thus far, are treating the future as a continuation of assumed conditions which have ceased to exist, therefore showing little sense of what must be faced, or of what must be done, if our republic is to have a future during even the relatively few years immediately ahead...*

**In-Depth articles from Vol. 34, No. 33-34**

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## Feature

**The State of Our Union: The End of Our Delusion!**

**Lyndon H. LaRouche, Jr.** presents 'an urgently needed draft of what must be crafted to serve as the Platform for the coming U.S. General Election. It has been prompted by the fact that none among the putative leading prePresidential candidates has shown, so far, any recognition of the kind of reality which will face the voters in the coming November 2008 general election, and no sense of the issues which will have become decisive at the point of the January 2009 inauguration.'

**Draft Platform for 2008**

## Economics

**Banking Crisis: Recovery Is Possible Only if Central Bank Bailouts Stop**

The failures of major hedge funds and banks is now a matter of time. By early Fall, in the judgment of Lyndon LaRouche, the financial system will be unable to continue functioning, without bankruptcy reorganization carried out by governments to save their people's jobs, homes, and savings, and to invest in restoring their productivity.

**'I Envision Construction of a Railroad Around the World'**

An interview with Walter J. Hickel.

**Indira Gandhi's Legacy at Risk in Indian Farm Crisis**

Mrs. Gandhi will always be remembered for her contribution to India of the Green Revolution. The success of that program prevented large-scale hunger within India, and enabled the world to see that such a seemingly impossible objective can be reached within a few years. The current

leadership of the country is undermining that magnificent achievement.

## **Phoenix Lander Will Dig for Ice at North Polar Region of Mars**

# World News

## **Is It Just Drumbeats We Hear, or Is It Actual War?**

News reports, corroborated by well-informed Washington sources, indicate that Vice President Dick Cheney has been pressing the President to authorize strikes against Iran. While there is no proof that such a decision has been made, the danger of military action, even within a matter of days, is very real.

## **Call by the Ad Hoc Committee for a New Bretton Woods**

**Helga Zepp-LaRouche** has renewed her call for 'an international conference at the level of Heads of State and Government, to globally define a new and more just monetary and financial system.' The new resolution is circulating for signatures by leading figures of all countries, and will be presented to the U.S. Congress and the parliaments of the world.

## **Eurasia's SCO Takes Action for Stability**

The six nations of the Shanghai Cooperation Organization carried out their first-ever joint military maneuvers, involving troops from all member nations, in the southern Urals in Russia, and Urumqi, China.

## **Pakistan Needs a 'New Deal'**

The threat of the disintegration of Pakistan needs urgently to be addressed. We provide the beginnings of a positive approach, including some of the crucial economic parameters of a 'New Deal.'

## **Correa, Kirchner in Bankers' Crosshairs**

The Presidents of Ecuador and Argentina have enraged the financier oligarchy, to the point that the lives of both are in danger.

## **'New Politics' Brought to State Legislators**

When the National Conference of State Legislators (NCSL) met in Boston Aug. 5-9, the LaRouche Youth Movement met them, emphasizing the need for a national mobilization to create sweeping changes in the United States, beginning with the impeachment of the President of Vice, Dick Cheney.

# Interviews

## **Walter J. Hickel**

Walter Hickel was twice elected as Alaska's governor, serving in 1966-69 and 1990-94; he was President Richard Nixon's first Secretary of the Interior (1969-70). At age 88, is viewed in Alaska and abroad as one of America's senior statesmen, for his unceasing commitment to economically develop the world.

# Departments

## **Banking**

## **Draining the Boat.**

# Editorial

## Protect the People, and the Banks!

### U.S. Economic/Financial News

#### Fed Lowers Rate in Futile Effort To Save Bankrupt Bankers

Aug. 17 (EIRNS)—The Federal Reserve lowered the discount rate this morning by 0.5%, from 6.25% to 5.75%. Lyndon LaRouche forecast on the previous day that there would be drastic measures taken to prevent a market crash on Friday, so that the weekend would not become a cauldron for panic around the world.

LaRouche also noted that such drastic measures at this time, with the financial system effectively out of control, can only come at the behest of very powerful people who are bankrupt, and are demanding that their personal demands be met.

Following the Fed rate cut, Edward Marrinan, head of high-grade credit strategy at JPMorgan in New York, admitted to Reuters: "Markets got what they were hoping for.... The main beneficiaries in credit markets of this announcement are financial institutions, which have been under such intense pressure over the last three weeks."

The more closely watched Fed funds rate, which sets a benchmark for interbank lending, was not officially lowered from its current 5.25%, but the pumping of tens of billions of dollars into the system over the past week by the Fed has effectively lowered the rate anyway. David Wessel of the *Wall Street Journal* wrote today: "In recent days, the rate has traded well below the Fed's target at some points of the day—even coming close to zero at times." The *Journal's* lead editorial praised Treasury Secretary Henry Paulson for orchestrating the \$11.5 billion bailout of Countrywide Aug. 16, but screamed that the LBO giant Kohlberg Kravis Roberts (KKR) deserves the same Federal largesse. KKR is not only holding \$80 billion in scheduled buyouts, with little hope of finding the needed credit to finance them, but they also were stuck this past week with \$5 billion of asset-backed commercial paper which creditors would not roll over, leaving KKR begging for a six-month delay.

The *Journal*, now owned by Bank of England agent Rupert Murdoch, is demanding that the Fed, the European Central Bank, and the Commonwealth banks in Canada and Australia bail out the system, with disdain for the real economies, and real people, who are being decimated in the process.

#### Capital Flows Into U.S. Plunge, with Mortgage Meltdown

Aug. 15 (EIRNS)—The U.S. Treasury Department's figures for net capital flows into the United States in June, released today, show serious implications for the future of the current international banking crisis, and what it will mean for the U.S. economy. Foreign purchases of U.S. corporate paper of all kinds dropped very sharply in June, even before the U.S. mortgage bubble burst, with all the securities backed by mortgages becoming unsaleable and choking up banks and hedge funds. This drop pulled down the overall flow of capital into the United States to about \$58 billion for that month, "barely enough to cover the U.S. trade deficit."

Clearly, during the last few years of \$1 trillion-plus annual investment subsidy for the U.S. economy from the rest of the world, a huge portion of that flow has gone into the "toxic waste" of the mortgage bubble—subprime mortgage-backed

securities, their derivatives like CDOs, and the speculative debt paper of hedge funds and private equity funds.

In June, these huge flows of purchases of U.S. corporate bonds and securities collapsed by two-thirds, from \$68.6 billion net in May to \$22.2 billion net (purchases of stocks also fell sharply). Thus, despite the very large foreign purchases of long-term U.S. Treasury and agency (Fannie Mae, Freddie Mac) bonds, the total net inflow of capital dropped from \$107.3 billion in May to \$58.8 billion in June.

This drop will have continued further in July. The sheer size of this "debt speculation subsidy," before the bubble burst, indicates why the U.S. mortgage meltdown has now become a European and Asian banking crisis. These banks, were buying and financing the toxic waste of the asset-backed loan and securities markets built up on Alan Greenspan's mortgage bubble.

Now, the United States will have to "fund itself," after 15 years of big global subsidies—and do so with Federal credits for investment, infrastructure, and productivity.

## World Economic News

### ECB Chief Trichet: 'Financial System Is Going Mad'

PARIS, Aug. 16 (EIRNS)—European Central Bank President Jean-Claude Trichet has been privately repeating, "for months," that "the international financial system is going mad," reports *Le Canard Enchaîné*. "To justify that diagnosis, he underlined the gap between two figures which make it easier to understand the current madness. Indeed, the world GDP grows 5% on average. Yet, at the same time, the financial markets require that investments return 15% profit, and the mass of credits—i.e., M3 for the distinguished economists—issued by banks and other establishments is increasing by more than 15%—a situation with such a strong imbalance that it could only lead to a financial crash."

### Carry Trade Dries Up as 'Traders Dash for the Exits'

Aug. 16 (EIRNS)—Headlines from London to Seoul warned today of the "End of the Yen Carry Trade," that insane "free yen" mechanism which world central banks had arranged to pump hundreds of billions into speculators and hedge funds in recent years. "Carry traders dash for the exits," the *Financial Times* wrote. The *Daily Telegraph* called it a "panic flight from emerging markets," Recognition is setting in that that party is over. "We are calling the end of the global currency carry trade," BNP Paribas's Hans Redeker told the *Financial Times* this morning.

Publicly, most people estimate that the hedge funds hold some \$200 billion worth of yen loans for the carry trade, but a more realistic estimate is that the size of the carry trade is anywhere from 450 billion to 1 trillion dollars. Whatever the figure, the rise in the value of the yen has turned those billions into losses. Hedge funds are scrambling to sell off assets, quick, to bail out of their yen loans before they lose more. This, in turn, is driving the yen through the roof, further squeezing those who borrowed in yen.

Developing sector currencies, propped up by speculators who were turning monstrous profits from investing their freebie yen loans into those high-yield currencies, are now crashing, as speculative capital leaves. The New Zealand and Australian dollars are "in free fall," a trader told the *Financial Times*. The South Korean won, the South African rand, the Brazilian real, the Turkish lira, Iceland's krona, favorites of the carry trade, not to mention the "monster bubble" of Eastern Europe, are following New Zealand and Australia's downward path.

Thus, the two great generators of liquidity for the bubble in recent years—the mortgage securities scam and the yen carry trade—are both disappearing simultaneously, just as the hedge funds and banks are desperate for cash to pay off all the promissory notes they signed for their leveraged buyout scams. This squeeze between the two "book-ends" of the crisis, is exactly what Lyndon LaRouche pointed to on Aug. 4, when he admonished people to stop looking at the various crises as local affairs, and face the reality that we have "a general, systemic breakdown of the system.... The whole thing is one, big bubble," LaRouche emphasized. "And when the speculator is caught with his pants down, that is, he cannot pay to maintain his continued speculation, then—boom!"

### **Canadian ABCP Agreement Is No Solution**

Aug. 17 (EIRNS)—The "agreement" worked out among eight Canadian banks and pension funds to convert C\$120 billion of maturing asset backed commercial paper (ABCP) into long-term notes is being viewed in some circles as a "solution" to the commercial paper crisis. By contrast, the U.S. market for ABCP stands at over \$1 trillion, at least nine times larger, not to mention the subprime and Countrywide crises. Columnists in the *Financial Times* point out that this type of arrangement is not a solution for the U.S. crisis, and could have "horrible" consequences for the Canadian crisis.

The *FT's* Gillian Tett points out that, "it is one thing to get two dozen banks to agree to a swap; it is quite another to arrange a restructuring with the 6,200 financial institutions that deal with the ECB (or those interacting with the Fed)."

Even for Canada, the *FT's* Lex column writes, the plan "is risky. It requires everyone to accept some pain and risk: banks would have to agree not to make margin calls, vehicles issuing the paper would have to cease accumulating assets. None of this is straightforward. Investors such as money market funds, for instance, may not be able to hold such a big chunk of long-term paper. But if the plan fails, the crisis in confidence would be really horrible."

### **French Economist: 'Nobody Knows Who Owes What to Whom!'**

Aug. 15 (EIRNS)—*EIR's* Paris bureau reports that French economist Jacques Attali has attacked the deregulation of banking and financial sectors over recent years, as central to the current banking crisis.

Interviewed by the French daily *Libération*, the former advisor to President François Mitterrand called for immediate regulatory and transparency measures, because "Nobody knows who owns what and who owes money to whom!" Attali said that "this crisis reveals to the world a situation that many observers have believed untenable for a long time. The essential point is the fact that the United States ... no longer has savings and is entirely financing its public and private investments by lending policies" which are "accelerating the deindustrialization of the country. The traditional activities have given way to finance, simply because industry did not offer the sufficient profits for a growing financial system, excessive and unchecked. As a result, the U.S. economy is pushed towards ever more speculative and risky investments, such as real estate.

"What we see now is a jolt—and certainly not the final collapse—of the casino economy." But, said Attali, "Should the markets start to turn, as now in real estate, it's the whole system that threatens to collapse."

On immediate government regulatory measures over the banking system, Attali said, "The banks, as fast as they can, get rid of their loans by reselling them to less scrupulous players.... The banks, the funds of all kinds, the firms, no one knows any more to whom they owe money and from whom they can make claims. It's total chaos, and logically, nobody controls anything. Emergency action would be to impose immediate transparency on the proprietor of each claim." He added that each financial center has been competing to remove regulations on banking and finance, in order to "attract investors."

Attali observed that, "By injecting liquidity, the central banks for the moment only made the patient worse, not taken care of him."

## **European Union Investigate Rating Agency Whores**

Aug. 16 (EIRNS)—As Europe's banks tank along with the subprime mortgage market, the European Commission has announced that it will open an investigation into how credit ratings agencies such as Standard & Poor's, Moody's Investors Service, and Fitch Ratings operate. European governments and the EU are charging conflict of interest, because these rating agencies—which rated subprime mortgage paper as AAA until but a few months ago—are paid by the banks and institutions that they rate for credit-worthiness.

Now, faced with the threat of government investigations, the agencies are trying to defend themselves from mounting legal prosecutions with the remarkable claim that their ratings are merely opinions, covered in the United States by the Constitutional right to free speech!

Now, like Enron's accountants before them, the noose is tightening, however. "If the rating agencies believe this is going to be business as usual, they are very wrong," a European Commission official told the *Financial Times*, in an interview published today. "The securitized subprime mortgage market would not have grown to the extent it did without the favorable ratings given by some agencies." The threat of government regulation of these agencies has even been raised, as one remedy.

## **United States News Digest**

### **FISA Court: Administration Must Respond to ACLU Request**

Aug. 17 (EIRNS)—In an unprecedented action, the Foreign Intelligence Surveillance Act (FISA) Court has told the Bush-Cheney Administration that it must respond to a request for the key legal opinions which provide the backdrop to the White House's demand that Congress give it expanded wiretapping power.

The court has ordered the government to respond to a motion filed ten days ago by the ACLU, asking for two of the court's rulings. The first is a Jan. 10, 2007 order which apparently permitted what the White House calls the "Terrorist Surveillance Program" to come under Court supervision, although in a more limited manner than the original program, directed by Vice President Dick Cheney, operated. *EIR* believes that the Cheney program involves the "data-mining" of information obtained by tapping into the major telecommunications hubs.

The second is a ruling, apparently issued around March of this year, which reportedly held that the government could not tap any communications passing through hubs inside the United States, without a court order. That ruling was used as the pretext by the White House to demand the power to monitor almost any telephone call which may involve a party overseas, not limited to terrorist suspects.

"Disclosure of these court orders and legal papers is essential to the ongoing debate about government surveillance," said Anthony D. Romero, Executive Director of the ACLU. "We desperately need greater transparency and public scrutiny. We're extremely encouraged by today's development, because it means that, at long last, the government will be required to defend its contention that the orders should not be released." The court ordered the government to respond by Aug. 31.

### **White House Apoplectic Over Clinton Campaign Video**

Aug. 16 (EIRNS)—Democratic Presidential candidate Sen. Hillary Clinton began running a campaign video in Iowa Aug. 14, appealing to the vast number of Americans "who feel like they are just invisible to their government," pointedly including soldiers serving in Iraq and Afghanistan. "Americans from all walks of life across our country may be invisible to this President, but they are not invisible to me," she said.

The same day, the White House went ape over Senator Clinton's comments. Spokeswoman Dana Perino said: "As to the merits of it, I think it's outrageous. This is a President who, first and foremost, has helped millions of seniors across the country have access to prescription drugs at a much lower cost. As to whether or not our troops are invisible to this President, I think that that is absurd and that [it] is unconscionable that a member of Congress would say such a thing."

Senator Clinton replied, "Apparently, I have struck a nerve."

### **Senior GOPers Are Dropping Out of Congress**

Aug. 16 (EIRNS)—Eight-term Republican Congresswoman Deborah Pryce (Ohio) announced today in Columbus, that she will not seek re-election; she cited family considerations. Pryce was the fourth-ranking Republican when the GOP controlled the House before the 2006 elections. She is the third House Republican to make such an announcement recently, as the GOP chances in the 2008 election move closer and closer to zero. The others are former Speaker Dennis Hastert and Ray LaHood, both of Illinois.

### **Military Suicide Rate at Record Levels**

Aug. 16 (EIRNS)—The Army reports that the rate of suicides of U.S. soldiers last year reached its highest rate in 26 years—101 soldiers took their own lives in 2006. According to the Associated Press, a new military report, out today, says that 24 suicides took place in Iraq. The "main indicators" leading a soldier to attempt suicide, according to the report, are combat-related stress, failed relationships, and financial troubles.

The report claims there is "limited evidence" that repeated deployments are increasing risk of suicide. But a Defense Department Mental Health Advisory Team report released last May, said that "multiple deployers reported higher stress than first-time deployers," and that it also led to "higher rates of mental-health problems and marital problems."

### **Senator Blocks Bush Nominee for CIA General Counsel**

Aug. 16 (EIRNS)—The *New York Times* reported today that Sen. Ron Wyden (D-Ore.) says he will put a hold on President Bush's nominee for CIA General Counsel "until the detention and interrogation program is on firm footing, both in terms of effectiveness and legality." Wyden says he's troubled that nominee John Rizzo, a veteran CIA attorney and, since 2004, the CIA's acting general counsel, did not object to a 2002 memo authorizing interrogation techniques that stop just short of inflicting pain equal to that accompanying organ failure or death, and that Bush's Executive Order last month did not clarify legal guidelines for detention and interrogation.

### **Cheney Moves Closer To Attack on Iran**

Aug. 15, 2007 (EIRNS)—In furtherance of Dick Cheney's buildup for an attack on Iran, the Bush Administration is planning to declare Iran's largest military branch, the Revolutionary Guard Corps, to be a foreign terrorist organization. The planned "terrorist" designation is reported by both the *New York Times* and the *Washington Post* today.

The leak came during the same week that the McClatchy Newspapers reported that Cheney has proposed to launch air strikes against training camps run by the Quds force, a special unit of the Revolutionary Guard, on the pretext that Quds is training and arming Shi'ite militia groups and insurgents in Iraq, and is also arming the Taliban in Afghanistan.

The designation of the Revolutionary Guard as a "specially designated global terrorist" organization would be made under Executive Order 13224, issued shortly after the 9/11 attacks, and would enable the U.S. to block bank accounts and other assets controlled by the Guard. There are probably no such accounts or assets in the United States, but the Administration will use this to pressure Europeans and others to cut off financial ties to Iran worldwide.

The planned move runs counter to any effort to open up diplomatic communications with Iran, says nuclear proliferation expert Joseph Cirincione, as quoted in the *Washington Post*. "It would greatly complicate our efforts to solve the nuclear issue," Cirincione says, adding that it "will convince many in Iran's elite that there's no point in talking with us, and that the only thing that will satisfy us is regime change."

That, of course, is exactly what Cheney is demanding. The *Times* coverage today notes that "aides to Vice President Dick Cheney [are] said to be among those pushing for greater consideration of military options," as opposed to diplomacy.

### **Grassley Ignores LaRouche Warning on China**

Aug. 13, 2007 (EIRNS)—Sen. Chuck Grassley (R-Iowa) continued the Congressional blundering on China policy last week, issuing a letter on Aug. 9 to Chinese Ambassador Zhou Wenzhong demanding that China denounce reports that "China may use its \$1.3 trillion in currency reserves as a 'bargaining chip' if the U.S. enacts new legislation to address undervalued foreign currencies." But Lyndon LaRouche had warned on July 27 that Beijing would "react sharply," with actions which would shock the U.S., if the recent anti-China moves in the Congress continued, especially those aimed at encouraging Taiwan independence. The House then passed H. Con. Res. 136 on July 30, calling for the Administration to abrogate U.S. agreements with China which bar the highest-level Taiwan officials from visiting Washington, D.C.

"Contrary to Senator Grassley's nonsensical message," LaRouche responded, "China has made clear that the issue was the threat against China delivered by members of the Congress in a resolution on the issue of Taiwan representation in the U.S. That's the issue that Grassley is ignorant of, or he's just ignoring the real issue. This is what I had reported July 27. I suggest Grassley get his facts straight, and use his influence to put a lid on that extremely provocative legislation. He should come to his senses and behave responsibly, rather than ideologically.

"I warned them. Some people don't pay attention to important messages."

### **Bush to Karzai and Maliki: Agree with Me on Iran, or Else**

Aug. 12 (EIRNS)—What are Bush and Cheney going to do next? They are going for "regime change" in Afghanistan and Iraq, because Prime Minister Nouri al-Maliki of Iraq and President Hamid Karzai of Afghanistan, each in the past seven days, contradicted U.S. spin-doctor reports that Iran is the source of terrorism in their countries.

These anti-Iran spins are emanating from Dick Cheney's "control room"—wherever that may be these days (e.g., Abe Shulsky's "Iran Directorate" at the Pentagon; Gen. Kevin Bergner's "Stovepipe" in the Baghdad Green Zone; or Cheney's own office's Middle East desk, run by regime change guru, David Wurmser, author of the 1996 blueprint for war on Iran-Iraq-Syria called "Clean Break: A New Strategy for the Realm").

On Aug 5, just before meeting with Bush at Camp David, Karzai told CNN's Wolf Blitzer that Iran is "helpful" and

"constructive" and a friend of Afghanistan.

On Aug. 9, Iraqi Prime Minister Maliki met with Iranian Supreme Leader Ayatollah Khamenei and other leaders in Tehran, after which he expressed thanks for Iran's positive role in helping Iraq.

## Ibero-American News Digest

### BAE Stench Behind Scandal Aimed at Argentine President

Aug. 11 (EIRNS)—A scandal that has erupted in Argentina, and is targetting President Néstor Kirchner and his wife, and Presidential candidate Sen. Cristina Fernández de Kirchner, carries the unmistakable stench of the same Anglo-Dutch financier interests behind the BAE weapons-trafficking cartel. For them, Kirchner is anathema, because of his continental leadership in forging the anti-IMF Bank of the South, and independent regional integration initiatives.

At the center of the scandal, which also involves Venezuelan President Hugo Chávez, is a murky Miami-based Venezuelan "businessman," Guido Antonini Wilson, one of whose associates is the arms dealer Pedro Guerrero, "who has very intimate relations with Armor Holdings," according to the Argentine daily *Infobae*. Armor is the U.S. arms firm recently acquired by BAE.

The scandal erupted on Aug. 4, just prior to Chávez's scheduled visit to Argentina, after Antonini Wilson apparently talked his way onto a private plane chartered by the Argentine state oil firm Enarsa to transport three government officials, and four others from the Venezuelan oil firm PDVSA, from Caracas to Buenos Aires. When Antonini arrived in Buenos Aires, customs officials discovered that he was carrying a suitcase filled with \$800,000. Some sources suspect that Antonini may have been traveling to Argentina on behalf of Armor, and that the funds were related to arms deals. He reportedly had traveled to Argentina several times in the past, always for very brief stays.

Although none of the Argentine government officials knew Antonini, one of them, Claudio Uberti, who is in charge of the government's relations with the Chávez government, and is also a very close collaborator of Planning Minister Julio De Vido, has been forced to resign. Antonini was not arrested; he quickly left the country and is now back home in Miami.

All of this occurs just two months before the Oct. 28 Presidential elections, in which Senator Fernández de Kirchner is the leading contender. Tensions between Argentina and Venezuela have heightened as a result of the incident, while the local political opposition—especially that linked to neoliberal foreign banking interests—are screaming "corruption," charging that the cooperation between Kirchner and Chávez was clearly based on "dirty" financial machinations, and arguing that this will continue should Fernández be elected.

### Kirchner Again Endorses Nuclear Energy for Development

Aug. 15 (EIRNS)—Speaking Aug. 15 in Zarate, Buenos Aires to inaugurate a key component of the Atucha II nuclear reactor, Argentine President Néstor Kirchner debunked the argument, put forward even by some members of his own government, that completing Atucha II, whose construction was halted for 17 years, was an "unproductive" investment.

Nonsense, Kirchner said. In announcing the reactivation of Argentina's nuclear program in 2006, the President recalled, "Thank God I stuck to my convictions, and to my belief that work, production, national industry, and nuclear energy are elements of development!"

In 1974, Gen. Juan Perón inaugurated Argentina's first nuclear reactor, Atucha I, Kirchner recalled. Atucha II was begun, but was shut down. By whom? "It was former Minister [Domingo] Cavallo who halted Atucha II's construction," Kirchner explained. The free-market ideologue who served throughout most of the 1990s as Finance Minister for IMF poster-child President Carlos Menem, and dismantled Argentina's productive economy, Cavallo threw away the \$1.8 billion that had already been invested in Atucha II and just shut it down.

"Never forget that!" Kirchner admonished, "because it will remind you of what the decade of the 1990s meant for all Argentines." Only because there were 100 skilled workers who lovingly watched over it, and protected it, during all those years construction was halted, Kirchner reported, can Atucha II now go forward, with Argentine capital, and be part of the program to improve the lives of millions of citizens.

## **Venezuela Financing Energy Projects in Ibero-America**

Aug. 12 (EIRNS)—In an Aug. 4-8 tour of four Ibero-American nations, Venezuelan President Hugo Chávez announced a series of investments in energy infrastructure projects, intended to contribute to the process of regional energy cooperation and integration.

In Argentina on Aug. 7, Chávez and President Néstor Kirchner signed an energy security treaty, by which Argentina's state oil firm Enarsa and its Venezuelan counterpart PDVSA will form a joint venture called Petrosuramerica. Among other things, the new company will be involved in refining oil, producing petrochemicals, and developing transportation and other infrastructure. Venezuela will also be investing \$400 million in the construction of a natural gas plant in Bahia Blanca.

Chávez also signed an energy security treaty with Uruguayan President Tabaré Vázquez, one of the central aspects of which involves the agreement between Uruguay's state energy firm Ancap and Venezuela's PDVSA, to expand capacity at the La Teja oil refinery. During Chávez's visit, President Vázquez also publicly endorsed Venezuela's entry into the Common Market of the South, Mercosur, which is opposed by some members of his own cabinet.

In Ecuador, Venezuela will invest \$5 billion to assist that country in building the Manabi oil refinery, which will be the largest in South America when it is finished. Then in Bolivia, Chávez joined President Kirchner in Tarija, to sign a series of cooperation agreements for natural gas production, and the creation of joint ventures for oil exploitation and electricity generation. PDVSA has signed a joint venture with Bolivia's state oil firm, YPF, to create PetroAndina, which will begin oil exploration north of the capital of La Paz, and in Tarija and Chuquisaca. Argentina's Enarsa will also sign a joint venture with YPF, which includes financing from Argentina to build a gas separation plant in the Gran Chaco.

## **As We Warned: Chile's Private Pension Funds Are Crashing**

Aug. 15 (EIRNS)—In an article published in *Cronica Digital* Aug. 14 under headline, "Hold Onto Your Pants: The International Financial System Is Crashing," Chilean economist Manuel Riesco revealed that the country's private pension funds, or AFPs, as they are known, have suffered huge losses just over the past few weeks. These losses have come from their speculative investments on international markets that are now crashing.

In the mid-1990s, *Executive Intelligence Review* exposed Chile's private pension system as a fascist looting scheme, imposed by force on the country by the brutal 1973-1990 Pinochet dictatorship. Reflecting the thinking of Pinochet's sponsors, Felix "The Fixer" Rohatyn and George P. Shultz, the AFP system was never intended to benefit Chilean workers. It was designed for the foreign banks and insurance companies—Banco Santander, BBVA and Citigroup among them—that control most of the system's assets, and threw them into the speculative international derivatives and hedge

fund apparatus that is now crumbling.

George Shultz tried to get his protégé George W. Bush to ram through a Chilean-style privatized Social Security system in the U.S. in 2005, but was prevented from doing so thanks to the LaRouche movement's mobilization.

Look at this great Chilean "success story" today: Out of the AFPs total assets of \$104 billion, they lost \$2.5 billion between July 25 and Aug. 12 alone. About half of their assets, according to Riesco, are invested in the local, as well as international stock markets, and in the stock of such banks as Bear Stearns and the crisis-ridden French insurance giant AXA. As of March 2006, the AFPs had \$435 million invested in AXA. Legislation recently approved in Chile will allow the AFPs to invest 40% of their assets abroad, up from 30%.

## Western European News Digest

### Tremonti: "The Crisis of America Always Becomes a Crisis of the World"

Aug. 11 (EIRNS)—In an interview with the daily *Corriere della Sera*, deputy chairman of the Italian Chamber of Deputies, and former Finance Minister Giulio Tremonti, stated that the current financial crisis is a global one. "For many years," Tremonti said, "I have criticized the excesses of globalization, warned against 'fatal risks' [the title of his most recent book]; I spoke about protectionism and Colbertism. For many years, experts and wisemen held me for a fool. Let us see today who is the wiseman and who the fool.

"The issue is that with globalization, the financial economy has become decoupled from the real economy and multiplied itself dizzyingly. If a fund offers you 100 for a firm worth 10, you must worry precisely because they are offering you 100! National and supranational authorities try to have oversight, but it is a kind of oversight that's no longer sufficient with respect to the dimension and global power of finance."

But is America really on the verge of a 1929? Tremonti responded: "History never repeats itself. Surely, we find in America the beginning and the end of a potentially global crisis. As I already made note of last November, the chain of the crisis depends on an enormous stock of liquidity and by the loss of control over mortgages. The script had already been written." On the question of whether Europe will be affected by the collapse, Tremonti replied, "I will tell you three things, two negative and one positive. A crisis of the financial economy always becomes a crisis of the real economy. The crisis of America always becomes crisis of the world. The positive thing is that government and monetary authorities, if they understand it and if they want to, can still intervene."

Despite these clear words, the editors titled the interview "Tremonti: As in 1929, But Only for the U.S.A.!"

Unfortunately, Tremonti does not say what must be done, although he knows very well and substantially agrees with the solutions put forth by Lyndon LaRouche, as Tremonti himself stated at a public event in Rome last June.

### Italian Blames End of Bretton Woods System for Crisis

Aug. 16 (EIRNS)—Vincenzo Visco, Italian Deputy Finance Minister, has declared that "the current crisis was born out of the Internet bubble," according to *Corriere della Sera*, and that "the problem is to control the instability of the system; after the Bretton Woods [system ended], we moved to increasingly exposed regimes. There is actually a problem of controlling global finances. Here the alternative is between the safety of financial markets and the enrichment of some managers who run such products, that can end up in the portfolio of common citizens."

Leading Italian politicians are well aware of the international movement to replace the current bankrupt global financial system. The Italian Chamber of Deputies passed a resolution in 2005 calling on the government to convene a New Bretton Woods Conference, and the Italian Senate has entertained similar resolutions over recent years, with direct input from Lyndon LaRouche and his associates.

## **Sarkozy Cannot 'Accept the Explosion of Speculation'**

PARIS, Aug. 16 (EIRNS)—French President Nicolas Sarkozy is getting more and more wound up about the financial crisis, especially since he is realizing that this, on top of everything else, will make it impossible for him to deliver on his economic campaign promises. Commenting to journalists from his vacation place in Wolfeboro, New Hampshire, about his letter to German Chancellor Angela Merkel (presently chairman of the G-8) on the financial crisis, Sarkozy exclaimed, "There must be transparency, there must be regulation.... We cannot continue this way with some hedge funds borrowing at any price, from whomever, without knowing from whom, and who assumes the final risk, and no matter what conditions.... In the end, it's all the employees and the originators who pay the price for it.... Me, I'm for an economy where originators, employees have their full space, but not speculators."

He noted, "I believe profoundly in freedom, but I cannot accept what we have lived with these last years: the explosion of speculation.... States are not without weapons" to face these problems: they can "ask for explanations, impose minimal rules. I said it during the campaign: I am for the moralization of finance capital and moralization goes through regulation, prudential rules and transparency.... Freedom does not mean the law of the jungle."

## **BAE: Free Access to Britain's Ministry of Defense**

Aug. 16 (EIRNS)—Today's London *Guardian* reports that the UK Ministry of Defence (MOD) has given security passes to 38 employees and officials of the scandal-ridden aerospace firm BAE, allowing them to come and go as they please at the ministry. One of them is known to be BAE's chief lobbyist, Julian Scopes, who formerly was private secretary to the Tory arms-sales minister Alan Clark. BAE has also hired former government officials, such as former Defense Minister Michael Portillo and Thatcher's chief foreign affairs advisor, Charles Powell.

*EIR* has pointed out in our previous coverage that the British aerospace/financial giant BAE and the British Defense Ministry are virtually indistinguishable.

The disclosure of the building passes was made in a letter from the MOD to Norman Lamb, a Liberal Democrat MP, who said: "This demonstrates that there is far too close a relationship between the Ministry of Defence and BAE. This incestuous and potentially corrupting relationship must be brought to an end. BAE's lobbying muscle helped to bring an end to a major corruption inquiry, which is totally unacceptable."

## **UK Police Suspect Arms Dealer Was Murdered**

Aug. 15 (EIRNS)—British detectives of London's Metropolitan Police are investigating the mysterious death of Ashraf Marwan, as a possible murder, the London *Times* reported Aug. 12. Marwan had connections at the highest level of the British establishment, and was a key collaborator of the now-deceased mining magnate Tiny Rowland. He was also deeply involved in the arms trade, having had connections with British Aerospace and other companies that are now part of BAE Systems.

Gamal Marwan, Ashraf's son told police that he does not believe his father committed suicide. Marwan was found dead outside his London apartment house after apparently falling from his balcony. The fact that the railing around the balcony

is 1.5 meters high, almost five feet, rules out an accident.

According to the *Times*, Marwan was close to finishing a book about his experiences during the 1960s and '70s, especially the period around the 1973 Mideast War, which debunks the claims from Israel that he had been a Mossad agent. He was expected to travel to the U.S. where he was to finalize the preparation of the book, apparently with a U.S. collaborator who is not named. The manuscript and related audio tapes disappeared from his apartment after his death.

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

### **Russia Marks Ninth Anniversary of Default**

Aug. 17 (EIRNS)—Dozens of Russian commentaries and analysis of the unfolding global, systemic financial crisis today took note of the fact that it is the ninth anniversary of Aug. 17, 1998. On that day, Russia went into technical default on the equivalent of \$40 billion in short-term government bonds, called GKO's, which had been a favorite destination of hot money from around the world during the preceding months. This was the "surprise"—though clear warnings had come from *EIR*, and from Russian economist Sergei Glazyev—that precipitated the Long-Term Capital Management (LTCM) hedge fund debacle and systemic near-meltdown in September 1998. In a commentary posted on KM.ru, Glazyev reminded readers that the financial disaster of 1998 resulted from "the deliberate construction of a debt pyramid," with the inevitable outcome of all such Ponzi schemes.

### **Long-Distance Strategic Bomber Patrols Resumed**

Aug. 17 (EIRNS)—Russia has permanently resumed long-distance patrols by its strategic bombers, Russian President Vladimir Putin announced today at Chebarkul, the site of Shanghai Cooperation Organization (SCO) joint military maneuvers. Such flights had been suspended after the end of the Soviet Union in 1991, RIA Novosti reported. "I made a decision to restore flights of Russian strategic bombers on a permanent basis, and at 00:00 today, Aug. 17, 14 strategic bombers, support aircraft, and aerial tankers were deployed. Combat duty has begun, involving 20 aircraft," Putin announced.

"As of today, combat patrolling will be on a permanent basis. It has a strategic character," Putin said. "We act on the assumption that our partners will treat with understanding the resumption of strategic air flights. Our pilots have been grounded for too long. There is strategic aviation, but there are no flights."

Three days earlier, the Russian Air Force announced that units of the 37th Air Army of the Strategic Command had begun tactical exercises over the Atlantic and Pacific Oceans, Novosti reported. "In all, over 30 Tu-95 Bear-H strategic bombers, Tu-22 Backfire-C theater bombers and Il-78 Midas will be conducting flights Aug. 14," said spokesman Col. Alexander Drobyshevsky. "During the exercises, the crews will test-launch cruise missiles over the Pacific and Atlantic Oceans and fly to the North Pole."

### **Putin Visits Upgraded Anti-Missile Radar**

Aug. 14 (EIRNS)—"This is what we call modern development of the Armed Forces," Russian President Vladimir Putin remarked at an Aug. 11 ceremony inaugurating an upgraded early warning radar station, outside St. Petersburg. The phased-array antenna, electronics, and other new components increase the station's observational reach from an area at the North Pole to the south of Africa. Putin praised former Defense Minister Sergei Ivanov, for his attention to the modernization of the Armed Forces. This new generation of stations, of the Voronezh type, is replacing older ones, and is also the model for a similar station being built in Armavir, in southern Russia, which President Putin proposed to President

Bush be used as an element of a joint ballistic missile defense system.

## **SCO Prepares for New Silk Road**

Aug. 17 (EIRNS)—Shanghai Cooperation Organization (SCO) member nations completed week-long joint military maneuvers today at Chelyabinsk, in Russia's Ural mountains, observed by the Presidents of Russia, China, Kyrgyzstan, Kazakhstan, Tajikistan, and Uzbekistan. The exercises, Peace Mission 2007, will likely become the basis for a permanent training program for SCO troops.

The day before, the Presidents of Russia and China called for building strategic joint relations, at their bilateral meeting in the context of the SCO summit in Bishkek, Kyrgyzstan. Putin said at the meeting that, "We all keep working in order to ensure our relations with China acquire genuinely strategic traits," Itar Tass reported. Hu Jintao called for "timely coordination between China and Russia" of their policies on bilateral relations, and key regional and global issues, Xinhua reported.

Energy, transport, and education were the key development issues at the SCO summit. Kazakhstan's President Nursultan Nazarbayev told the meeting that the SCO "should actively work in the direction of creation of a single transit-transport system between Europe and Asia. It is necessary to attract international financial institutes for the establishment of a transcontinental transport corridor between Europe and Asia representing traditions of the Silk Road," he said.

Iranian President Ahmadinejad attended the SCO meeting, after a tour of Central Asian nations that focussed on economic cooperation.

## **Russia Launches \$20 Billion Fusion Power Plan**

Aug. 16 (EIRNS)—The Russian government today adopted a draft strategy to accelerate development of a fusion power industry. The meeting instructed the Federal Agency for Nuclear Power to prepare a revised version of the document by Oct. 1. This will allocate 515 billion rubles (about \$20 billion) for fusion energy, including construction of commercial thermonuclear reactors, through 2050. Leading Russian nuclear scientist, Academician Yevgeni Velikhov, said that Russia must adopt a federal targeted program on research and potential use of fusion energy this year, according to Novosti. The program has the imprimatur of Deputy Prime Minister Sergei Ivanov.

Velikhov, president of the Kurchatov Institute in Moscow, told journalists late yesterday, just before this government meeting: "If we fail to adopt this [fusion research] program now, we will soon lose the existing scientific potential and professional cadre [to implement the strategy]." He said the 2009-2015 program would become the first stage of the fusion power strategy; this would include modernizing technologies which had been developed in Soviet times. The second stage, 2016-2031, is for development and testing of materials for fusion reactors. The third stage will begin after 2031, when Russia should design and start building commercial fusion power plants, Velikhov said.

## **Russian Space Legend: Build Bases on the Moon**

Aug. 14 (EIRNS)—Speaking to journalists Aug. 13, 95-year-old Academician Boris Chertok, the highest-level living space official, who goes back to the Soviet space program of the 1950s, urged that Russia move away from being a raw materials producer, to create the technical capability to build bases on the Moon. He knows this is possible from first-hand experience, having worked for 20 years with Sergei Korolyov, the Soviet space program's "chief designer." Said Chertok, "There are setbacks in related industries, for instance, in electronics. Our economy in its present state will not permit solving the ambitious tasks" that the space program should tackle.

Chertok's remarks follow those of another elder statesman of science, Academician Erik Galimov, director of the Vernadsky Institute of Geochemistry and Analytical Chemistry, who also addressed the lack of vision from the leadership of the Russian space agency Roskosmos. A fight over space policy in Russia has been raging for months, and only recently have these science patriarchs publicly attacked the government policy. The fight was punctuated by the firing of Nikolai Sevastyanov from the leadership of the Energia Company in June. Sevastyanov had proposed a multi-stage lunar exploration program, culminating in manned missions, and the mining of Lunar helium-3 for fusion power plants on Earth. These plans had not been supported, or approved, by Roskosmos.

Chertok believes that it is "senseless to simply repeat what the Americans did at the end of the 1960s [Apollo program]. There must be a base on the Moon." Energia, for which Chertok consults, has proposed replacing the 1950s-era manned Soyuz capsule with the reusable Clipper spacecraft. Chertok's main point is that Russian R&D and high-technology industry must be upgraded, through a commitment by the government, to creating new mission capabilities.

## **Russians Treat Train Bombing as Terrorism**

Aug. 14 (EIRNS)—The evening Nevsky Express passenger train on the heavily traveled route from Moscow to St. Petersburg derailed the evening of Aug. 13, in what officials called a likely bombing. It happened in Novgorod Region. There were no fatalities, but 25 of the 250 passengers were hospitalized.

Russian investigators said the explosion was equivalent to 3 kilograms of TNT. It may have been detonated by remote control, or by the impact of the locomotive, they said. The explosion appeared to go off about 100 feet before an elevated bridge over a stream, but the train, traveling at 180 km/h, cleared the chasm and then derailed on the other side as the engineers activated emergency braking.

The Russian government went into a high-profile mobilization. President Putin, who was traveling on the Yenisei River in Tyva with visiting Prince Albert of Monaco, held phone conferences with Federal Security chief Nikolai Patrushev, Transportation Minister Igor Levitin, and Russian Railways CEO Vladimir Yakunin. The latter cut short a trip to Siberia, and was shown on TV in shirtsleeves at the scene of the derailment, overseeing rush repair efforts for Moscow-St. Petersburg train service. Putin put Health Minister Vladimir Starodubov in charge of relief for the victims.

## **Southwest Asia News Digest**

### **Is It Just Drumbeats, or Actual War with Iran?**

Aug. 20 (EIRNS)—Leading circles in Washington are expressing fears that the escalating press drumbeat around former Iraqi Prime Minister Iyad Allawi's campaign to replace incumbent Prime Minister Nouri al-Maliki is a very strong signal of a possible war with Iran in the immediate future. The evidence available, is that the call for an attack against targets in Iran could come within days, but there is no proof yet that an actual commitment to launch such attacks has actually been issued.

During the past week, an international media promotional campaign on behalf of Allawi suggests to leading circles inside the U.S.A. that someone inside the Bush-Cheney Administration is intent on military strikes against Iran, perhaps in the immediate days ahead. What is worrying about that drumbeat at this time, is the fact that former Allawi has issued a steady stream of statements, calling upon Sunni officials to leave the Maliki government, which he has characterized as "sectarian" and Iranian-backed. This promotion of Allawi coincides with growing pressure from Saudi Arabia and from the Cheney-connected BAE faction in the present Bush Administration; those Cheney-linked circles are already pushing

hard for launching strikes on Iranian targets, on the pretext that the Tehran is behind the Shi'ite insurgency, which is killing American servicemen inside Iraq. The estimate is, that if such an attack is actually intended now, the first such strike might come before the August Congressional recess is over.

Since the beginning of August, a series of news reports, corroborated by well-informed Washington policy-makers, indicates that Cheney has been pressing the President to authorize strikes on sites associated with the Revolutionary Guard.

Lyndon LaRouche commented Aug. 19 that, while he is not saying that such attacks are imminent, he is saying that the "intent" to launch such attacks is clearly there, and the promotion of Allawi's calls to replace the Maliki government is part of this effort. LaRouche added that the hyping of Allawi should end now, as one way to pull back from the Cheney-led war drive.

## **General Petraeus? Call Him General Patsy, Says LaRouche**

Aug. 16 (EIRNS)—The White House today confirmed published reports that the "Petraeus Report," on the progress of the "surge" in Iraq, will actually be written in the White House. White House spokesman Gordon Johnroe said that the Sept. 15 report will be written by the White House and National Security Council staff, with input from Petraeus, Amb. Ryan Crocker, Middle East Commander Adm. William Fallon, Secretary of State Condoleezza Rice, and Defense Secretary Robert Gates.

On hearing that the White House is the actual author of a report on Iraq being drafted by Gen. David Petraeus, Lyndon LaRouche said: "Then just call him General Patsy. He's there to carry the blame."

According to the *Los Angeles Times* Aug. 15, the White House is either leaking a report which Petraeus has already prepared, or it is writing the report itself, to forestall the possibility of the general recommending a partial, or major troop withdrawal from Iraq.

The White House-floated report claims that General Petraeus, who ostensibly "has been keeping a close hold on the recommendations he intends to deliver next month," is not going to recommend any troop withdrawal, but a mere shuffling of forces from one area to another.

## **Iraq Is Ready To Move Against MeK: Cheney's Terrorists?**

Aug. 15 (EIRNS)—The Turkey-based Press TV reported today that the public prosecutor of the Iraqi High Tribunal, Jaffar al-Mousawi, has charged that investigations have revealed that Mujahideen-e-Khalq (MeK) members have played a leading role in the 1991 killing of Iraqi civilians, and will be prosecuted. The investigations found that MeK leaders worked in alliance with former Iraqi dictator Saddam Hussein in the killings. The prosecutor said that 150 members and leaders of the anti-Iran MeK will be prosecuted.

While there is little doubt that the MeK is a terrorist outfit, the question has always been, who owned them. On July 31, Iraq's National Security Counselor, Fazel al-Shavili, said in an interview with Al-Alam TV channel, that Saudi Arabian princes provide financial support to the tune of \$30 million a month to MeK, the anti-Iran terrorist group in Iraq.

Although the Iraqi official did not name the Saudi princes, U.S. Vice President Dick Cheney's close relations with Prince Bandar bin Sultan raises the question of whether the Saudis were funding MeK as a part of their Cheney-instigated anti-Iran policies within Iraq.

## **British Parliamentary Report Rejects Boycott of Hamas**

Aug. 13 (EIRNS)—The Foreign Affairs Committee of the British House of Commons has issued a report sharply critical of the policy, under former Prime Minister Tony Blair, of boycotting Hamas, which was adopted after the formation of the Palestinian national unity government in March 2007. The report endorses the view that the February 2007 Mecca agreement in which Hamas accepted the 1993-98 Oslo Accords and the 2002 Arab League peace plan, constituted implicit recognition of Israel by Hamas.

A key finding of the report is this: "We conclude that the decision not to speak to Hamas in 2007 following the Mecca agreement has been counterproductive. We further conclude that a national unity government could and should have been established much earlier than the spring of 2007."

The U.S. policy carried out by the National Security Council's Elliott Abrams, of arming the Fatah security forces against Hamas, also comes in for sharp attack in the Commons' report. As early as 2003, concerns had been expressed that the American plan was "to back one side in an emerging civil war." And the report quotes Abrams—although not by name—declaring that "I like this violence ... it means that other Palestinians are resisting Hamas."

The committee report also rejects the notion that Hamas carried out a "coup d'état," pointing out that many factors fueled the violence prior to June, including the economic deprivation in the Palestinian territories, and the refusal of the EU and the U.S. to engage with Hamas.

It concludes that the Bush Administration's "Roadmap for Peace" has become largely irrelevant, in large part because of the unwillingness of the Quartet to equally challenge Israel as well as the Palestinians to meet their obligations, and it urges the Brown government to engage with moderate elements in Hamas, to press Israel to ensure full humanitarian access to Gaza, and to spell out Israel's obligations under international humanitarian law.

The report also urges constructive engagement with Iran, and a resumption of contacts with Syria.

## **Asia News Digest**

### **India's Power Crisis Threatens Industries**

Aug. 14 (EIRNS)—As the Manmohan Singh government continues in its efforts to convince a majority of parliamentarians that the India-U.S. nuclear deal will help India to import a large number of nuclear reactors for power generation, and would not jeopardize India's future nuclear weapons program, one of the top chambers of commerce in India, Assocham, issued a study today pointing out that India's power shortage is likely to disrupt industrial growth in the country, with production expected to be further reduced by 25% in August and September. Industrial output was down by an estimated 15% in June and July due to erratic power supply. The power deficit during these two months was close to 25%, says Assocham.

"As such, the regions were reeling under tremendous power shortage in June and July, and the rains added to it, as defects in the transmission system have hardly been rectified," Assocham President Venugopal Dhoot said.

Simultaneously, explaining the power shortage situation in the Rajya Sabha (House of Elders in the Indian Parliament), Power Minister Sushilkumar Shinde said in a written reply that the power sector will require about \$260 billion investment during 2007-12 to add generation capacity, besides creating and upgrading transmission and distribution networks.

Out of the proposed capacity addition of 78,500 megawatts during the 11th plan (2006-2011), 1,870 mw has already been commissioned and another 50,975 mw is under construction, he said.

## **Delhi-Mumbai Industrial Corridor Cleared**

Aug. 17 (EIRNS)—India's Cabinet Committee on Economic Affairs has cleared the first phase of Delhi-Mumbai Industrial Corridor (DMIC) project on the eve of the upcoming visit to India of Japanese Prime Minister Shinzo Abe. Simultaneously, the same Cabinet Committee has also approved setting up of the 1,483-kilometer (about 925 miles) Dedicated Freight Corridor (DFC) between Delhi and Mumbai for high-speed connectivity for high-axle load wagons, Information and Broadcasting Minister Priya Ranjan Dasmunshi said. The construction on the freight corridor will begin in 2009, and will be completed by 2012, Dasmunshi added.

DMIC is slated to be a \$90 billion project, which will draw technological support from Japan, in addition to Japan's commitment to loan India \$9 billion for the project. The money will be utilized in buying Japanese technologies needed for the project. Prime Minister Abe is scheduled to sign the Japanese commitment to the project during his visit.

The first phase of the DMIC will begin later this year and will be completed by 2013. The work involves development of six investment regions—in six contiguous Indian states—of more than 200 sq. km each and six industrial areas of about 100 sq. km each. These regions are Dadri-Noida-Ghaziabad (Uttar Pradesh), Manesar-Bawal (Haryana), Khushkhera-Bhiwadi-Neemrana (Rajasthan), Pitampura-Dhar-Mhow (Madhya Pradesh), Bharuch-Dahej (Gujarat) and Igatpuri-Nashik-Sinnar (Maharashtra).

The setting up of the DFC freight corridor would involve laying new rail tracks and gauge conversion projects, at a total cost of about \$700 million. These are likely to be completed by 2009-10.

## **Taiwan Sells Off Banks to Foreign Locust Funds**

Aug. 13 (EIRNS)—Taiwan's financial regulators have scrapped a 25% ceiling on individual stakes in Taiwan banks, according to AHN Media in Taipei, in order to "allow acquisitions of domestic banks by international private equity funds in response to increasing financial mergers in recent years." A leading Taiwan bank, Bowa Bank, partially owned by GMAC, was taken over by the government last week when it could not find a buyer—the fifth time in the past year that the government had to take over a failing bank.

The locusts are lining up to pick the bones. Carlyle Group [CYL.UL] said last month that it agreed to buy a 35% stake of Taiwan's Ta Chong Bank for \$657 million, Longreach Group said it would pay \$568 million for a controlling stake of EnTie Bank, and Bain Capital is bidding for a controlling stake in Cosmos Bank, partially owned by GE, at a significant discount. Taiwan has become a fertile hunting ground for the locusts, in part because they have been largely shut out of China and South Korea.

## **U.S. Troops Caught in Illegal Combat in Philippines**

Aug. 15 (EIRNS)—Dick Cheney is proving that he treats the Philippines Constitution with as much disregard as he does the U.S. Constitution. According to the *Philippines Inquirer*, "heavily armed U.S. Special Forces troops were captured on film leading a Philippine Army military convoy Tuesday in Indanan town, Sulu province, where Philippine security forces are fighting Muslim insurgents. An Agence France-Presse photographer filmed the U.S. troops aboard a Humvee armored jeep as two soldiers manned a vehicle top-mounted with a machine gun with a miniature U.S. flag clearly visible on the

back of one soldier's helmet. The American troops were part of a convoy of Philippine Marines hunting members of the terrorist group Abu Sayyaf."

The problem with this is that it is unconstitutional for foreign troops to fight on Philippine soil. Cheney, however, is blatantly ignoring this law in order to establish grounds for permanent U.S. troop deployments in the region.

Lee McClenny, a U.S. Embassy spokesperson, while claiming the Special Forces "are not involved in any combat roles," then admitted that they would "fire back if fired upon"—which is to be expected while leading a convoy in a battle zone. "Yes, they travel with Philippine military convoys. We rotate our people in and out of Jolo on a regular basis," McClenny told AFP.

## **SCO Summit Establishes Security, Stability Agreements**

Aug. 16 (EIRNS)—The Presidents of the Shanghai Cooperation Organization (SCO) nations today declared, at their annual summit held in Bishkek, Kyrgyzstan, that they can take responsibility for stability and security in Eurasia. The six nations—China, Russia, Kazakstan, Kyrgyzstan, Tajikistan, and Uzbekistan—signed a Friendship Treaty and a Bishkek Declaration, among ten documents, the leading Eurasian news services reported.

The SCO was founded to help resolve the enormous security challenges all these nations have faced since the end of the Soviet Union. Now, the SCO is taking steps to deal with the world's most difficult security problems—Afghanistan, Iran, Iraq, and the Korean peninsula—which all exist on its immediate borders. These declarations are a clear challenge to the United States, to participate in dealing with these crises, which, as Russian President Vladimir Putin said, require international cooperation. "Russia, like other SCO states, favors strengthening the multi-polar international system providing equal security and development potential for all countries. Any attempts to solve global and regional problems unilaterally have no future."

The summit declaration states: "Securing stability of the world economy, decreasing poverty, energy and information security, protecting the population and territories of the SCO states from emergency situations, natural or man-made, cannot be excluded from global security problems."

Kazak President Nursultan Nazarbayev called for setting up a cooperative "SCO energy agency," and the leaders signed documents on transport and financial cooperation.

## **Chinese 'Greed Economy' Stirs Outrage, Unrest**

Aug. 16 (EIRNS)—The collapse on Aug. 14 of the brand-new Tuojiang bridge in China's Hunan province, is "a bloody lesson," the *China Daily* wrote in its lead commentary Aug. 15. At least 36 workers, who were completing the bridge, are dead, and 22 more are missing. President Hu Jintao, who was out of the country at the Shanghai Cooperation Organization Summit on Aug. 15 called for "utmost rescue efforts," as well as an immediate, full investigation. President Hu said that measures must be taken to ensure lessons are learnt from the accident so that similar accidents shall not happen again, *China Daily* reported.

This bridge collapse follows one in June, which killed nine people. "The nation was rocked by the news," the daily stated. "Although summer often bears witness to natural disasters, such as floods and heat waves, no one can blame Mother Nature for this latest bridge collapse. While we wait for the official investigation to shed light on the cause of the incident, it seems possible that human factors might have loomed large behind the sorry scene. Given the techniques and building materials we use today are more advanced and safer, it is inexcusable that a brand-new bridge should collapse on top of

those who built it. The public deserves a full account of the cause of the accident, and as there is now a safety accountability system for officials, it is necessary to ascertain where the responsibility lies."

These infrastructure disasters follow the horrific brick-kiln slave-labor scandal which sent shockwaves through the entire Chinese population. After one kidnapped boy escaped to his family, police began investigating the brick kilns, and freed at least 500 kidnapped children and poor peasants, who were forced to work as starving slaves in the brick kilns of Henan and Shanxi Provinces. Pictures of the freed slaves were shown in the national media for weeks, and President Hu and Prime Minister Wen Jiabao expressed their horror and demand for justice. Some 35,000 police were sent out to rescue the enslaved workers.

This greed economy is causing a big reaction in the Chinese population. The *China Youth Daily*, known for exposing exploitation of the population, and Sina.com found that there is a lot of discontent with China's big income gap. Some 57% of the 8,000 polled called China's new rich "extravagant," "greedy," and "corrupt." A recent report by the Chinese Academy of Social Sciences said that the richest 10% of Chinese families now own more than 40% of all private assets, while the poorest 10% share less than 2%, Xinhua reported Aug. 14.

## **Africa News Digest**

### **AU: African Nations Can Supply All Troops for Darfur**

Aug. 13 (EIRNS)—Alpha Oumar Konare, the head of the African Union (AU), said today, "We have enough pledges from African nations, so that we do not need to turn to forces from non-African countries" to provide the UN-mandated peacekeeping force for Darfur in western Sudan, Reuters reported. The Sudanese government has opposed the involvement of non-African countries in the force.

Britain, the United States, and others that have been promoting the Darfur intervention are now put on the spot. While the UN has authorized 26,000 troops for a peacekeeping force, UN officials said last week that the AU-UN force would be "predominantly African," rather than entirely so. Now with the AU announcement, it remains to be seen if the UN will actually approve funding for the operation.

### **South Africa Blames Brits for Zimbabwe Crisis**

Aug. 13 (EIRNS)—A document of the South African government puts the blame squarely on the British for the crisis in Zimbabwe, accusing Britain of leading a campaign to "strangle" Zimbabwe's economy. The London *Guardian* reports today that the document states Britain has a "death wish" against any negotiated settlement in Zimbabwe that might leave President Robert Mugabe's party in power.

The South African report describes the crisis as "Zimbabwe's bilateral dispute with Britain."

South African President Thabo Mbeki has been working to broker an agreement between Mugabe and the opposition in advance of a regional summit this week.

Britain has used the turmoil in Zimbabwe to try to destabilize South Africa, the strategic fulcrum of the region. It has been Britain that has been spearheading the sanctions against Zimbabwe, the sanctions Mugabe blames for his nation's economic collapse. As the economic crisis has deepened, some 3 million Zimbabweans have left the country, many of them crossing the border into South Africa, creating a refugee problem for that country.

"The most worrisome thing," says the South African document, "is that the U.K. continues to deny its role as the principal protagonist in the Zimbabwean issue, and is persisting with its activities to isolate Zimbabwe. None of the western countries that have imposed the sanctions that are strangling Zimbabwe's economy have shown any willingness to lift them."

While some South African leaders have criticized Mugabe, Michael Sata, an opposition leader in Zambia, has urged the region's leaders to "join hands and launch strong protests against attempts by the West to recolonize Zimbabwe."

The document, which Mbeki is expected to present to the regional summit, says that some issues in Zimbabwe, including constitutional reforms, have been "worked out." "There are strong indications that the two sides are sliding towards an agreement," the report states.

### **South Africa Nuclear Plan Would Close the Fuel Cycle**

Aug. 14 (EIRNS)—The draft nuclear energy plan that was released to the public on Aug. 13 by the mineral and energy department of South Africa, includes the bold and necessary plan to rebuild that country's uranium enrichment capability, which was originally developed for its nuclear weapons program, but dismantled in 1994. This will allow South Africa to be nuclear "energy independent," since it can enrich its own, indigenous uranium. In addition, according to *Business Day*, the government plans to promote the recycling of spent fuel, to reprocess it to extract material that can be reused as fuel, thereby closing the nuclear fuel cycle.

The plan sees the creation of tens of thousands of jobs, through the creation of these new capabilities, and several new institutions. The policy document proposes to recapitalize the Nuclear Energy Corporation of SA (Nesca), to coordinate investment in nuclear R&D.

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