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## **When Fate Hangs on a Forecast**

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

*The actual, strategic purpose and function of competent economic forecasting, is not to attempt to predict what will happen, but to cause it to happen.*

Today's subject is a field of combat in which I have developed certain unique skills, skills in that branch of strategic intelligence called long-range forecasting. This is not merely foreseeing, passively, what might be likely to happen; it is about crafting policies of the type which I am presenting, with the intention to bring about an urgently needed action which might rescue us from a currently onrushing, global financial disaster, an oncoming disaster which has now entered its terminal phase....

**In-Depth articles from Vol. 34, No. 35**

**...Requires Adobe Reader®.**

# Feature

## **Science vs. Statistics: When Fate Hangs on a Forecast**

**Lyndon H. LaRouche, Jr.** emphasizes that understanding the validity of his outstanding record in economic forecasting, and understanding the method he used to make those forecasts, 'is pretty much a life-or-death matter for our own and the world's economy.' This is the only way, in the little time remaining, that the citizens of the U.S.A., and the world at large, will be equipped with the ability to decide on a new journey into the future, instead of continuing with the old failed ways, on the road to doom.

## **Start Bankruptcy Reorganization With Homeowners and Bank Protection Act**

**Lyndon LaRouche's** legislative proposal is the only way, at this late date, to stop millions of home foreclosures this year and next.

## **FDR Defended Small Homeowners From Foreclosure, Usury**

## **LaRouche Youth Rally States To Fight for the General Welfare**

## **Speaker Wright Was Right, Then and Now**

# Economics

## **Erect a Firewall Now: Debt Is Not an Asset**

The financial system today is based on the fraud of treating debt as a financial asset. The current crisis can only be understood from the standpoint

of LaRouche's Triple Curve pedagogy, with a decline in physical assets and hyperbolic growth in financial and monetary aggregates.

## **Italians Call for LaRouche FDR Solution**

## **The World Must Now Listen to the Wise Words of José López Portillo**

On the 25th anniversary of the late Mexican President's historic address to the United Nations, we print excerpts from that speech, plus his remarks to a 1998 seminar with Helga Zepp-LaRouche.

## **From Food Shocks to Famine: The Impact of Biofoolery and 'Global Sourcing'**

## **Russia: Contours of an Economic Policy To Save the Nation**

## **LaRouche in 1995: Infrastructure Is Key For Russian Economy**

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## **LaRouche Talks With Chinese: It's Time for Solutions**

In discussion with Chinese journalists, Lyndon LaRouche makes the case for a four-nation alliance of the United States, China, Russia, and India, to set the stage for a new global financial-monetary system. Despite the insanity of the current Bush Administration, U.S. objective interests have always been in favor of friendship with China.

# **International**

## **British Hand Is Pushing Bush Into Iran War Trap**

Serious thinkers in Southwest Asia believe that the U.S.A. will attack Iran—without justification. British think-tanks and other geopolitical manipulators are stoking the fires.

## **Israel-Palestine: Peace Conference or Hot Autumn?**

## **Behind Bush's Latest AntiIran Diatribe**

## **LaRouche Youth Movement in Africa: Reconstruct the World Economy!**

Members of the LYM from South Africa, Zimbabwe, Denmark, and the United States are interviewed on The LaRouche Show, as the movement begins to take shape in several African countries.

## **International Intelligence**

# National

## Home Alone, Dick and George Desperately Scheme for War

Alberto Gonzales's departure creates a dangerous vacuum for Bush and Cheney, at the top of the Justice Department. With several investigations ongoing, of which the BAE scandal is potentially the most explosive, they are looking for someone reliable there to protect them from impeachment.

## With 'Firewall' Gonzales Out, the Smell of Watergate Is in the Air

# Editorial

## Emergency Action in September

## U.S. Economic/Financial News

### **Bush Homeownership Gimmick Will Compound the Crisis**

Aug. 31 (EIRNS)—No doubt pushed by the force of the rapidly unraveling economic situation, President Bush today unveiled a "plan" for helping people in danger of losing their homes. Flanked by Treasury Secretary Hank Paulson, undoubtedly one of the authors of the scheme, and Alfonso Jackson, the Secretary of Housing and Urban Development, Bush presented his proposal. The fairyland nature of Bush's grasp of what he's dealing with, was revealed as soon as he opened his mouth, again describing the "strength" of the American economy. "Economic growth is healthy," the President said. In Bush's world, "Wages are rising, unemployment is low, exports are up, and steady job creation continues."

"The markets," he noted, "are in a period of transition, as participants reassess and re-price risk. But the overall economy will remain strong enough to weather any turbulence," he assured his listeners, who were few and far between, as most of the White House press corps apparently didn't think he would have anything notable to say, and seemed to have stayed home.

Bush's plan involved "modernizing" the Federal Housing Administration by lowering down-payment requirements and increasing loan limits, giving another one of his tax breaks to homeowners whose home values have declined, and a "foreclosure avoidance initiative" to allow homeowners to refinance their homes. Lyndon LaRouche noted when he heard the President's proposal, "The Bush measures will make the crisis worse."

As Bush was leaving the podium, *EIR*'s Bill Jones shouted to him, "Sir, what about the hedge funds and banks that are overexposed on the subprime market? That's a bigger problem. Have you got a plan?" Still well within earshot, Bush and his two advisors ignored the question, obviously, because they had no answer.

### **California Counties Face Empty Coffers in Housing Collapse**

Sept. 1 (EIRNS)—According to *Forbes* of Aug. 25, four of the ten U.S. cities with the most over-valued real estate prices are in California. Many property owners are paying high property taxes, which are based on the inflated assessments of their homes.

Because of Proposition 13, passed in 1978, real estate taxes cannot change more than 2% in any year unless a house has just changed hands. However, because of Proposition 8, passed the next year, if market-based housing values decline versus the assessed valuation for Jan. 1 of any year, the county assessor may lower taxable values for that year, to reflect the true market value of the house.

It is unclear how often this mechanism is being used this year to give tax relief to property owners in California, but in at least one large county—San Bernardino—County Assessor Bill Postmus is on the ball. According to the *Daily Press* of Aug. 14, so far this year Postmus has lowered the assessments on over 11,000 parcels, decreasing taxable valuations of county residents by \$238 million. He lowered the taxable value for 2,000 parcels in the Victor Valley area alone, where property values had plunged by 20-30%. "This is my constitutional duty as assessor," said Postmus. He predicts much worse in the area in the coming year, commenting: "I would say the numbers next year would be in the hundreds of millions, if not billions."

This is good news for the millions of California residents with currently over-priced homes, but it bodes ill for the California tax base. If other county assessors are as dedicated as Postmus, considering how hard-hit many areas of California have been by the housing bubble collapse, the county coffers be empty, as their main revenue source dries up, leaving California local governments in even worse shape than they already are, unless.

## **Wal-Mart, Home Depot, Now Sears: U.S. Retail Collapsing**

Aug. 31 (EIRNS)—Offering steep discounts didn't stop sales from falling for the second quarter this year at two more big discount chains in the United States. On Aug. 30, Sears announced that its sales had fallen 4.3% in the last quarter, and that K-Mart's fell by 3.8%. As a result, Sears' profits fell by 40% in the quarter, the second quarter in a row they declined.

So much for billionaire hedge fund honcho Edward Lampert's promise when he merged Kmart and Sears Roebuck Co. in March 2005, that he would generate great profits for its shareholders by cutting costs and jobs.

Two other retail chains, Wal-Mart and Home Depot, announced two weeks earlier that their sales had declined.

## **World Economic News**

### **Another Blow to German Industry—IKB Now Rated 'Junk'**

Sept. 1 (EIRNS)—Fitch Ratings downgraded the so-called mezzanine notes of a Structured Investment Vehicle (SIV), owned by of the German IKB (Industrial Credit Bank), to junk, citing the SIV's inability to access the commercial paper market, Reuters reported Aug. 31. The rating on the SIV Rhineland's mezzanine capital notes was cut nine notches to "B," five notches below investment grade, from "A," the sixth-highest investment grade ranking.

The credit crunch faced by IKB after its July 30 near-default, will become worse since the Fitch downgrading and reduce the bank's ability to continue making loans to German small and medium-sized firms, which have relied on IKB as a crucial source of credit. IKB holds 30% of that market. The pattern of such *Mittelstand* firms being particularly victimized by the onrushing banking crisis, will be taken up also in Germany's leading business weekly, *Wirtschaftswoche*, dated Sept. 3.

The rating action also reflects "the relatively limited availability of committed liquidity to cover maturing commercial paper, the use of which would put the SIV at risk of breaching a liquidity test," Fitch said in a statement. Though

Rhinebridge, a sub-fund of IKB's Rhineland, is in discussions to secure alternative sources of funding, it has not yet secured any, and may be forced to sell assets, or draw upon its committed liquidity, Fitch said.

The role of the rating agencies is increasingly being questioned in Germany, and elsewhere in Europe, as they were the ones to originally give AAA ratings to the very commercial paper which turns out now to be junk.

### **Hyundai Workers in South Korea Vote To Strike**

Sept. 1 (EIRNS)—South Korean Hyundai auto workers have vowed to strike on Sept. 5, if negotiations for better pay are not resolved favorably. Hyundai has been hampered in its efforts to sell record numbers of vehicles this year, by partial walkouts by union members, and in the last year, has lost billions in sales due to labor disputes.

Workers want an 8.9% pay raise and 30% profit-sharing, according to *Bloomberg* news service on Sept. 1. Workers also want the retirement age raised from 58 to 60. Hyundai is offering much smaller concessions, but talks will continue on Sept. 3. Almost 69% of the workers voted in favor of a strike.

### **Italy: Home Repossessions Skyrocket in Global Crisis**

Sept. 1 (EIRNS)—According to consumer groups, 450,000 Italian families are having troubles with their mortgage rates, due to the increased costs of mortgages bought at a variable interest rate. The magazine *L'Espresso* found out that in Milan, repossessions are already 1,591 in August, as compared to 1,883 for the whole of 2006. Facing the social crisis, the government is proposing a 10-million-euro fund, to help families pay penalty and notary costs for a 24-month delay of mortgage rate payments to their bank.

### **Bank of England Injects Massive Liquidity into Barclays**

Aug. 31 (EIRNS)—The Bank of England was forced to pump an emergency 1.6 billion pounds (\$3.2 billion) into a single bank Aug. 30. When it was then revealed that that bank was Barclays, which had already borrowed from the Bank of England's emergency window earlier this month, Barclays managers put out the unbelievable story that they don't have any financial difficulties, but only borrowed such a huge amount of money at a "penalty" short-term interest rate of 6.75%, to handle a "technical breakdown in the system used to clear and settle money-market transactions," on Aug. 29.

Barclays announced the next day that it had just injected \$1.6 billion into the Cairn Capital hedge fund which it had helped set up, an amount which was half the amount borrowed from the BoE. Barclay's bailout kept the fund from launching a "fire sale" of its assets. Cairn is one of four exotic financing funds, called SIV-Lites, created by Barclays, which until this month sold short-term commercial paper backed by worthless mortgages and car loans. Two of the four have already collapsed, and are selling their assets at a loss, and a third is about to follow suit. The Bank of England helped Barclays "save" one.

### **Germany State Finance Minister Resigns Over Bank Crisis**

Aug. 31 (EIRNS)—According to *Sueddeutsche.de*, Horst Metz, the finance minister of the German state of Saxony, announced his resignation on Aug. 31, effective Sept. 30, as a consequence of the crisis at Sachsen Landesbank. Metz was also the chairman of the board of directors of the SachsenLB, and continued to defend the emergency sale of the bank the previous weekend without the agreement of the state parliament as required by the state constitution. The chairmen of the parliamentary groups had accepted a two-day suspension of the constitution as urged by the state governor, Georg Milbradt.

On Aug. 31, it was also announced that the CEO of SachsenLB, Herbert Suess, resigned from his post, effective Sept. 15, to be replaced by Joachim Hoof. In addition, management board members Yvette Bellavite-Hoevermann and Werner Eckert were removed from the board by the company, which did not give a reason for the move, according to *Forbes*.

## **Swiss Analysts See Collapse of Big Hedge Fund Coming**

Aug. 30 (EIRNS)—Warnings of an imminent collapse of another big hedge fund are widespread:

\* The leading Swiss news daily, *Neue Zuercher Zeitung*, today reports Moody's warning that another hedge fund collapse of LTCM size cannot be ruled out, adding an assessment by the Geneva firm Dominice & Co., that the collapse of a big hedge fund is even very likely, sometime during September-October.

\* A gloomy outlook for the coming weeks was issued by Standard & Poors, with a warning that profits at the big investment banks on Wall Street and in the City of London will collapse by 70% in the second half of this year, if the credit crunch continues. Revenues would collapse by 47%, following the same pattern which followed the collapse of LTCM and the sovereign debt default by Russia, according to a report in the London *Times*, today.

\* Two major conduit funds are on the verge of collapse: The West German Landesbank may soon shut down its Brightwater fund, with admitted exposure of 1.2 billion euros on the U.S. mortgage market; the German IKB is expected to shut down its Rhinebridge fund in the U.S.A., with an exposure of \$2.4 billion.

## **Food Shocks Continue: Wheat Futures Reach Record Levels**

Sept. 1 (EIRNS)—Extremely tight wheat supplies, and an increase in wheat import activities by South Korea, India, and other countries, pushed December wheat futures at the Chicago Board of Trade to record levels for a short time on Aug. 31, rising to \$8.07 and 3/4 cents before settling down to \$7.84 and 3/4. That was a 30% rise over last month's prices—the biggest monthly gain since 1973.

## **United States News Digest**

### **Conyers Wants More Democrats To Support Him on Impeachment**

Aug. 30 (EIRNS)Apparently feeling the heat from constituents who are demanding impeachment of Dick Cheney and/or George W. Bush., Rep. John Conyers (D-Mich.), chairman of the House Judiciary Committee, told a town meeting in Pontiac, Michigan, "I want you to know that I have no reticence, no reluctance, no hesitation to use the tool of impeachment ... whenever I feel that it is appropriate.... I only wish that I could be moved by a lot of people coming to my office." Rawstory.com posted a video of the event.

Conyers said that there are not enough Democrats in the House at present who support impeachment. But, making clear that he is counting those votes, he said that his decisions are not dictated by House Speaker Nancy Pelosi (D-Calif.). "Nancy Pelosi has impeachment 'off the table,' but that's off her table, it is not off John Conyers' table," said Conyers. "Nancy Pelosi, who I actually supported, cannot prevent me from introducing an impeachment resolution against—well, I've got a long list of people who are eligible."

Conyers reviewed his own history in taking the lead in impeachment, in the case of President Richard Nixon in 1974. At

that time, said Conyers, he introduced an impeachment resolution, and it was supported by the Congressional Black Caucus. Conyers cited Reps. Shirley Chisolm (D-N.Y.), and Ron Dellums (D-Calif.) as playing an especially important role.

"I understand the politics of impeachment," Conyers said. "But we have something going on now that we've never had before."

## **Columbine, MySpace, and Facebook Named in Investigation of Virginia Tech Killer**

Aug. 30 (EIRNS)— The just-released report of Virginia Gov. Tim Kaine's Virginia Tech Review Panel demonstrates that Virginia Tech killer Seung-Hui Cho was exactly the kind of violent-media and violent-video-game addict about which this news service has been warning since April 16, when Cho killed 32 people, then himself. It was the worst youth school shooting in history, in any country. The report documents that Cho became obsessed with the Columbine High School shooting of April 20, 1999, and wrote about creating "another Columbine." And, in 2007, very close to the tenth anniversary of Columbine, he did exactly that—but on a larger scale.

Yet the Virginia Tech Panel went out of its way to understate, or ignore Cho's deep involvement in violent Internet culture, from video-games, to underground movies like the violent "Old Boy."

Commenting today on the release of the panel's report, Lyndon LaRouche said, "This commission came under major political pressure to keep out what is known about Cho's involvement with video-games—they obviously didn't want to offend somebody. But, they left in a hint of the truth in mentioning MySpace and Facebook. Of course, MySpace is owned by right-wing British operative Rupert Murdoch. Another hint is the panel's documentation of Cho's fascination with the Columbine massacre, beginning in April 1999. We will encourage further investigation in this direction," said LaRouche.

## **Army Contracting Probe Accepts Cheney's Assumptions**

Aug. 29 (EIRNS)—Secretary of the Army Pete Geren announced today that he has established two commissions to look into Army contracting, an internal one to probe problems in the contract management office in Kuwait, and an external panel, to look at how the Army does contracting in general. But Geren's mandate for both investigations accepts Vice President Dick Cheney's assumptions that led to the contracting problems that Geren seeks to address. First is the permanent nature of the war, and the second is the privatization of military logistics. Geren said that his objective is to determine whether the Army is properly organized to meet the acquisition needs of frontline units operating "in an era of persistent conflict."

In response to a question from *EIR*, Dr. Jacques Gansler, a former Undersecretary of Defense in the Clinton Defense Department, who will be heading the external review, admitted that there probably are activities that have been contracted out that should be performed by the military itself or the government, but spoke highly of public/private competitive sourcing, where government employees are forced to compete against private contractors to keep their jobs. This type of competition, where government employees lose out to private contractors, which was a factor in the collapse of outpatient care at Walter Reed Army Medical Center that caused such a scandal early this year.

## **AFL-CIO Declares Mobilization for Health Care for All**

Aug 30 (EIRNS)—At his annual Labor Day briefing Aug. 29, AFL-CIO international president John Sweeney declared that the organization was putting the full force of its 10 million members on a mobilization to secure high-quality health care for all by 2009. Sweeney stated that the organization will hold candidates at every level, from union locals to U.S.

President, responsible for supporting comprehensive health-care reform. While he stated that the AFL-CIO is not endorsing a specific health-care approach at this time, he laid out a set of criteria that any proposal would have to meet including: covering everyone in the United States; providing preventive care; preserving the right of patients to choose their own doctors; requiring the government to police greed and incompetence, and to lower costs. Sweeney announced that the mobilization will begin at AFL-CIO events throughout the country during the Labor Day weekend, and extend until legislation is passed in 2009.

*EIR*'s reporter asked Sweeney to comment on House Resolution 676, Rep. John Conyers' (D-Mich.) single-payer, universal health-care legislation, noting that 22 of the AFL-CIO state federations have endorsed the it. Sweeney answered that "the AFL-CIO could easily support" HR 676, but reiterated that the organization was not endorsing any specific proposal at this time, preferring to assess the result of its mobilization and challenge to candidates.

## **When Will the Army's Debate About Iraq War Focus on Cheney?**

Aug. 27 (EIRNS)—The professional responsibilities of U.S. military officers go far beyond the technical competence of fighting wars, as shown by the officer's oath to uphold and defend the Constitution "against all enemies foreign and domestic." They must understand who the enemies of the U.S. Constitution are, and take responsibility for defending against those enemies. Yet the debate that is raging now among the officer ranks of the U.S. Army over the conduct of the Iraq War, important as it is, appears to leave out the most crucial issue, that is, the decision to go to war in the first place.

As former Marine and UN weapons inspector Scott Ritter wrote, in an op-ed on [truthdig.com](http://truthdig.com) last week, "The Vice President is the single greatest threat to American and international security in the world today," because it is Dick Cheney, who not only bears the most responsibility for the war in Iraq, but who represents the greatest threat to the U.S. Constitution.

The debate that is going on within the ranks broke out into the open last May, when an active-duty Army officer, Lt. Col. Paul Yingling, wrote an article for *Armed Forces Journal* entitled "A Failure of Generalship." Yingling argued that U.S. failures in Iraq were attributable to a crisis in the institution of the Army. "America's generals have failed to prepare our armed forces for war and advise civilian authorities on the application of force to achieve the aims of policy," he wrote.

Fred Kaplan, national security columnist for [Slate.com](http://Slate.com), reports in an article in yesterday's *New York Times*, that Army Vice Chief of Staff Gen. Richard Cody was recently challenged about that article by a room full of captains at Fort Knox, Kentucky, who apparently felt that Yingling spoke for them. One asked why the top generals failed to give political leaders full and frank advice on how many troops were needed for Iraq. Another asked whether any generals "should be held accountable" for the war's failures. Another said that general officers were so far removed from the fighting that they wound up "sheltered from the truth," and "don't know what's going on."

Kaplan further described the tensions between junior officers, who often have two or three combat tours in Iraq, and the generals who lead them, but have no comparable experience. Kaplan relates the situation today to that in the early years of Vietnam, described in the book *Dereliction of Duty*, by H.R. McMaster, an active duty colonel in the Army with a PhD. in history. McMaster concluded that the then-senior leadership of the military betrayed their professional obligations by failing to provide unvarnished military advice to President Lyndon Johnson and Secretary of Defense Robert McNamara. In fact, though Kaplan doesn't say so, McMaster documented how Army Chief of Staff Gen. Earle Wheeler and Gen. Maxwell Taylor, among others, participated in the lies that Johnson and McNamara were telling about Vietnam. McMaster's book made such a deep impression in the Army when it was published in 1997, that it has been on required reading lists ever since.

## **Ibero-American News Digest**

## Reopen the Yair Klein File!

Aug. 29 (EIRNS)—The Aug. 27 arrest in Moscow by Russian authorities of Israeli arms trafficker and mercenary retired Israeli Lt. Col. Yair Klein, opens the door for international cooperation to clean out an arms intelligence and arms-for-drugs mafia which has played a central role for more than two decades in spreading wars across at least three continents:

\* Central and South America: where Klein went from participating in the mid-1980s Iran-Contras operation to directing the creation of the paramilitaries in Colombia, from 1987-1989;

\* Africa: where he was jailed in Sierra Leone from 1999-2000 for his role in trafficking weapons to the diamond-running Revolutionary United Front (RUF) insurgents;

\* His home base of Southwest Asia itself.

The most developed case is against Klein and his Spearhead Ltd. (Hod Hadanit) "counterterrorism" security company. Klein was convicted *in absentia* by a Colombian court in 2001 of training the drug cartel's paramilitary forces in terrorist tactics in the late 1980s. Colombian Foreign Minister Fernando Araujo told reporters on Aug. 28 that Colombia had initiated extradition proceedings so that Klein could serve his ten-year-plus prison sentence.

Klein was up to his eyeballs in the 1980s "Iran-Contra" arms-for-drugs trafficking operation of George H.W. Bush, Elliott Abrams, Israeli Gen. Revaham Ze'evi, et al. As that operation was exposed, Klein began receiving money from a U.S. State Department operation set up by Abrams to train a Panamanian "contra" force against Gen. Manuel Noriega, in the run-up to the December 1989 invasion of Panama.

At the same time he was being funded by the Project Democracy crowd in Washington, Klein was sent to Colombia to arm and train Medellín cocaine cartel kingpin Gonzalo Rodríguez Gacha and his hit squads, which later evolved into the Colombian "paramilitaries," distinguished for their bestiality. It is for this that Klein was convicted.

Still pending, is his role in the Aug. 18, 1989 assassination of Luis Carlos Galán, the popular anti-drug candidate who was heading toward victory in the 1990 Presidential elections. Galan's assassination sealed Colombia's fate as a bastion of the drug trade, and one of the weapons with which he was shot has been traced back to Klein.

Informed of Klein's arrest, Sen. Juan Manuel Galán, Luis Carlos's son, said that Klein's extradition could prove historic, and ensure that those responsible for killing his father do not remain protected.

## Drop in Remittances by Threatens Mexican Economy

Aug. 31 (EIRNS)—Remittances sent home by Mexican workers in the United States fell by 2% in the second quarter of 2007—the first year-on-year quarterly drop ever. With the destruction of Mexican manufacturing, which was accelerated by NAFTA in 1994, millions of Mexicans fled to the U.S. as economic refugees, in a desperate effort for survival for themselves and their families. Mexico today not only exports goods to the United States; it exports its labor force, which cannot survive inside the country, under the policies of British "globalization." Nearly 13 million Mexicans—over 10% of the population—have emigrated to the United States.

As a result, remittances grew by nearly 20% per year between 1994 and 2006, reaching a staggering \$23 billion last year.

That is more than Mexico earns from any other source of foreign exchange, other than its oil exports. With a serious decline in remittances—86% of which are used by the families back in Mexico for basic "sustenance," according to a recent Bank of Mexico study—Mexico will face an economic and social explosion in the short term.

The rate of growth of remittances has been dropping steadily since the beginning of 2006, as the collapse of the U.S. economy translates into a loss of jobs for even cheap-labor immigrants: While they grew by 20% in the second quarter of 2006, that dropped to only a 3% increase in the first quarter of 2007, and to negative 2% the following quarter.

The current blowout of the U.S. housing market is going to wreak havoc in this layer: The single largest area of economic activity of workers who send remittances, is construction, with 18.6% of total migrant employment. Even agricultural labor, which has historically been migrants' main activity, is now only 16.5% of the total.

### **Chilean Labor Demands 'New Deal' from Bachelet**

Aug. 30 (EIRNS)—"Chile tomorrow will have greater dignity because its working men and women today are saying 'Listen to us. Chile demands a new deal, a new social and political commitment,' and we're going to demand that from the streets, no matter what the cost." With these words, Arturo Martínez, Secretary General of the CUT labor federation, summed up the events of Aug. 29, when thousands of workers took to the streets in a national "day of action" to demand that President Michelle Bachelet enact significant changes in her economic and labor policy, and fire cabinet ministers still wedded to the "Chicago Boys' " neo-liberal model.

Workers in Santiago, the capital, and in several other cities marched, protested, blocked streets, and slowed down public transportation to make their point that economic inequality has changed little since the days of the fascist Pinochet dictatorship of 1973-90. Even legislators from Bachelet's own Socialist Party joined the mobilization, and called on the President to fire her Finance Minister Andrés Velasco, a former economics professor at Harvard University.

Despite harsh police repression, the CUT has vowed to continue its protest, using as its mascot a dairy cow appearing under the slogan, "We're tired of being milked for the benefit of a very few." Chile this year has had windfall profits from the rising price of copper, its chief export, and the economy is expected to grow by 6%. But half of its workforce of 6 million earns a minimum monthly wage of \$260, compared to an estimated \$1,000 required for a family of four to live comfortably.

This was not a general strike, but CUT leaders warn that that could be the next step if the government fails to act. As the CUT's Martínez warned before the strike, unless the government addresses the country's profound social and economic inequality, it could face an uncontrollable "social explosion."

### **Bank of the South Runs Into New Obstacles**

Aug. 31 (EIRNS)—A scheduled Aug. 23 meeting in Rio de Janeiro of the finance ministers of the seven South American countries involved in founding the Bank of the South, was postponed indefinitely, according to Brazilian finance ministry sources cited by AFP wire service. This is the second major roadblock this year that has been thrown in the way of the establishment of the Bank, which was originally scheduled to be created in June 2007 as part of a "new financial architecture" for the region, to replace the genocidal economic policies of the IMF and the global speculative financial system.

Most press accounts miss the boat entirely on the real fight that is going on around the Bank of the South, by ascribing Brazil's stonewalling to its purported desire to make the Bank an appendage of its own domestic infrastructure plans, or to

gain lopsided trade advantage.

"I don't think so," Lyndon LaRouche commented yesterday. "As I've noted previously, there are some powerful international banking interests that have a grip on the politics of Brazil. And there's a pattern there, which is not exactly new, in which they are the ones who are putting the monkey-wrench into the gears. You're looking at the British banks, with their allied Spanish banks such as Santander and BBVA, which are operating on behalf of the British empire and its friends, to jam up the Bank of the South.

"You have Brazilian government people and so forth who want the Bank to go forward," LaRouche elaborated, "but you also have against them the political control of the international bankers. And I would say that the problem here, which is what it has been all along, are the concerns of the British-related bankers, like the Caribbean pirates of the Cayman Islands."

Exemplary of the problem described by LaRouche is the role of Banco Santander's former vice president for human relations, Miguel Jorge, who was named as the country's Minister of Development, Industry, and Foreign Trade in March 2007. Santander could gain significant additional leverage inside Brazil, if and when the proposed acquisition of the Dutch ABN Amro bank by Santander and its British ally Royal Bank of Scotland is consummated. ABN Amro owns Brazil's third-largest private bank, Banco Real, which Santander would take over if the acquisition goes ahead.

## **Argentina Opens Uranium Mine; Step toward Nuclear Future**

Aug. 29 (EIRNS)—Argentine President Néstor Kirchner signed an agreement with the provincial government of Salta yesterday, to reopen the Don Otto uranium mine.

The mine had been shut down, first by the 1976-83 military dictatorship, and then again in the 1990s by free-market ideologue President Carlos Menem.

But, in the words of Planning Minister Julio De Vido, things have changed now. The long-stalled Atucha II nuclear power plant will be completed, and discussions have begun with Canada on building a fourth reactor. The heavy-water plant in Neuquen that was paralyzed when Kirchner took office in 2003, is now producing heavy water again, the material needed as a moderator for the Canadian CANDU nuclear reactor.

In the next phase, Argentina will develop production of its own, the CAREM light-water reactor, De Vido said. This small reactor, built entirely by Argentine scientists and using national technology, has a generating capacity of between 100 to 250 megawatts, and is considered to have great potential for use in developing nations.

## **Western European News Digest**

### **John Train's Slander Campaign Against LaRouche Exposed**

Aug. 29 (EIRNS)—The Italian magazine *La Voce delle Voci* published a three-page article on investment banker John Train and Democratic statesman Lyndon LaRouche in its June issue, exposing the real story of the "Doge of Wall Street" and his campaign of defamation and persecution against LaRouche. *La Voce delle Voci* is the national edition of a monthly magazine until now published only in Naples, called *La Voce della Campania*.

The article, written by *EIR*'s Claudio Celani, introduces secretive banker and intelligence operative John Train as involved

in the current strategic confrontation between London and Moscow, not only because of his connections to the late journalists Paul Klebnikov and Anna Politkovskaya, but as a member of "what President Eisenhower called the military-industrial complex."

The article is entitled "Train ad alta pericolosità, a pun on the phrase "high-speed train," which becomes, "high-danger Train." The subtitle reads: "They call him the Doge of Wall Street: John Train, a CIA-connected international assault banker, married to a Venetian noblewoman who was a friend of Junio Valerio Borghese. His shadow is cast on the death of Russian journalist Paul Klebnikov, one of the many mysteries of recent Russian history. As Putin launches warnings and, here at home, many dossiers 'made by Mitrokhin' pop up again."

The article reports on how the most recent examples of such slanders emerged in Italy in the context of the Litvinenko scandal and were pushed by political figures belonging to networks still connected to freemasonic conspirator Licio Gelli. The article concludes by asking whether, behind this new mud-slinging, John Train is again to be found.

### **'Britain's Role in the New Cold War'**

Aug. 30 (EIRNS)—In July, British Defence Secretary Des Browne informed Parliament that the U.S.-run Royal Air Force (RAF) base, Menwith Hill, which is the largest spy base in the world, would be incorporated into the U.S. Ballistic Missile Defense (BMD) system. Browne also said that a new early warning radar at RAF Flyingdales would be part of the U.S. BMD plan.

In an article in its Aug. 30 issue, aptly titled, "Britain's Role in the New Cold War," the British magazine *New Statesman* says that five British firms, including scandal-ridden BAE Systems, will work on the BMD project, which has so far cost more than \$90 billion. Until Browne's announcement, the government had refused to confirm Menwith Hill's role in missile defense.

Interceptor missiles have been deployed in California and Alaska, and while Poland remains the likely host of the European leg, Browne told Parliament that the option of siting interceptor missiles in Britain would be kept "under review."

A well-informed Washington intelligence source told EIR News Service that the British government, and especially the financier oligarchy, is determined to block the U.S.-Russia collaboration that was embodied in President Vladimir Putin's proposal for joint radar and missile defense development. Such collaboration would pull the rug out from under Britain's imperial game, using the Dick Cheney circles to destroy the United States and the American System of economics and foreign policy. Lyndon LaRouche said he agreed with this assessment, noting the importance of Britain's role in destabilizing Southwest Asia as well.

### **Danish Railroad Formally Proposes 'Kattegat Connection'**

Aug. 30 (EIRNS)—The Danish State Railroad (DSB) announced a new high-speed-rail proposal, with a Kattegat connection as the central feature, at a transportation conference in Aalborg. The proposal entails a ring consisting of a high-speed-train connection from Copenhagen, over a new Kattegat bridge, through Aarhus (Denmark's second largest city on the Danish mainland), to Horsens; which is then connected to the existing rail lines comprising the second half of the ring. This ring would then have connections to the other major cities on the Danish mainland.

The proposal reflects the Schiller Institute's plan for a maglev connection between Copenhagen and Aarhus over a Kattegat bridge, which burst into the Danish political process, and the leading newspaper, *Jyllands-Posten*, over the past months

(although the DSB proposal does not include maglev).

## **State Constitution Suspended for Sale of Troubled Bank**

Aug. 29 (EIRNS)—Among other dark aspects of Germany's Sachsen Landesbank crisis, the breach of the state constitution of Saxony last week, to allow the swift sale of the troubled bank, raises concern.

Respect for the constitution would have required the presentation of the facts and the sale plan, to the members of the state parliament on Aug. 27. But Gov. Georg Milbradt called in the chairmen of the parliamentary groups on Saturday, Aug. 25, talking them into acceptance of a two-day suspension of the constitution with the argument that if the sale were not carried out on Sunday, the bank would have to go into default on Monday.

The chairmen of the parliamentary groups accepted, which implies that the banks can dictate when the constitution is in effect and when it isn't. The affair will be brought up by dissident members of the parliament.

## **Paris: 'Toxic' Cheney a 'Millstone' Around Bush's Neck**

PARIS, Aug. 29 (EIRNS)—The Aug. 27 issue of the daily *Le Figaro* has an article by Washington correspondent Philippe Gélie on the mounting pressure on the U.S. President to resign. Entitled, "Dick Cheney, A Controversial Vice President," the article has a big picture of Bush and Cheney, with a caption: "Dick Cheney has become a millstone around Bush's neck. At his lowest in the polls, he is often designated as the 'worst vice president in the history' of the United States."

Cheney has attempted to put himself "above the law," Gélie writes, rejecting any oversight of his activities, which prompted the Senate to refuse to authorize the \$4.5 million budget for the Vice President's Office. "His paws are identifiable in all the coups and presidential fiascos." Gélie quotes a recent article by Sally Quinn, whose husband was the *Washington Post* editor during Watergate, "The big question among the Republicans today is how to get rid of Dick Cheney. He is perceived as toxic."

## **Pasta Strike: Inflation Leading to Public Protest**

Aug. 29 (EIRNS)—Price increases for food, energy, and housing spell an increase of 1,100 euros (\$1,500) per year for the average Italian family, according to consumers associations, as reported by Ansa.

Yesterday, another central element of the Italian diet was hit by price increases: The price of the a cup of espresso rose by 25%, from an average of 80 cents to 1 euro (\$1.36). Meanwhile, consumers associations have organized a "pasta strike" for Sept. 13 to protest rising prices.

## **Chinese Cannot Be Blamed for Drinking Up German Milk**

Aug. 28 (EIRNS)—Following a European-wide pattern, the milk products industry in Germany has announced drastic increases in consumer prices for September, in some categories above 50%, German radio stations reported this morning. Noodles, grain products, and other foods will see similar price increases. The reason for this is drastically increased prices for grain and milk, caused by speculative market operations, and not, as media propaganda has tried to tell the consumers, an alleged sudden increased demand by the Chinese for German milk, cheese, or bread.

The China-bashing story has been exposed as complete rubbish: German exports of milk products, particularly milk

powder, did indeed increase by 20% in the first six months of 2007, but that is due mostly to exports to the new Eastern European members of the European Union. Exports to China increased only by a minuscule 0.1%.

## Russia and the CIS News Digest

### Glazyev's Website Posts New Bretton Woods Call

Aug. 30 (EIRNS)—The updated Call by the Ad Hoc Committee for a New Bretton Woods, issued by Schiller Institute founder Helga Zepp-LaRouche on Aug. 12, appeared in Russian yesterday on the website of economist and parliamentarian Sergei Glazyev. One of the most widely read political sites in Russia, Glazev.ru titled the appeal "Authoritative economists call for creation of a new world financial system," and listed it prominently.

Glazyev, who is an associate member of the Russian Academy of Sciences and an elected deputy in the State Duma, gave a press conference Aug. 23 on the systemic nature of the current world financial crisis. He called for Russia to move in coordination with other Eurasian countries to protect their economies, and reiterated his own proposal to use the Russian ruble as a reserve currency and to denominate Russian exports in rubles—ideas that President Putin seconded at the St. Petersburg World Economic Forum in June.

The Ad Hoc Committee for a New Bretton Woods outline of a Rooseveltian new financial architecture, is being widely quoted and reposted on other Russian sites, picking it up from the Glazev.ru source. The Russian translation of the Call has also appeared on the Anti-Globalist Resistance site ([www.anti-glob.ru](http://www.anti-glob.ru)), and a new analytical site called Strategium, based in Ukraine.

### Wall Street Livid About New Bretton Woods

Aug. 30 (EIRNS)—Today's *Wall Street Journal* published a diatribe against the potential for a New Bretton Woods agreement among Russia, China, India, and other nations. The author, Judy Shelton, is a regular contributor to the *Journal*, and sits on the Board of the National Endowment for Democracy. Shelton railed against Russian President Vladimir Putin's call in St. Petersburg in June for a "new international financial architecture," and Putin's efforts to make the ruble into a reserve currency. In particular, she whined that Putin "is determined to establish a world-class oil exchange on Russian territory and shift energy business away from existing global financial centers."

Rather than seeing this as a move for war avoidance through international cooperation, with U.S. participation, Shelton warned that "Russia's next move is to challenge U.S. supremacy in world financial markets.... Russia's leader strikes a chord with other emerging-market economies—Brazil, China, India.... It's a daring gambit and it constitutes no less than a demand for new international monetary arrangements on the scale of the post-World War II Bretton Woods agreement."

If Russia begins demanding payment for its oil in rubles, wrote Sheldon, and China continues "flexing its monetary muscle by hinting it might dump a portion of its considerable dollar reserves, ... you have the makings of a devastating dollar rout." Reflecting the current British campaign to divide Russia and the U.S. into warring camps, Shelton concluded: "The next Bretton Woods should be launched as an earnest initiative from the nation that gave birth to democratic capitalism, not as an act of aggression from a pumped-up Russian pretender."

### Brits Play Up Russian Vulnerabilities to Financial Crisis

Aug. 31 (EIRNS)—At a point when President Vladimir Putin has called for a new financial architecture, and his

government has at least somewhat curtailed the furious activity of Russian firms on British markets, in particular, Ambrose Evans-Pritchard writes in today's London *Daily Telegraph* about imminent dangers to Russia from the financial crisis abroad. "Fears that Russia's banking system could be vulnerable to a sudden downturn have led to a surge in capital outflows over the past two weeks," Evans-Pritchard emphasizes, "triggering the sharpest fall in the country's reserves since the oil boom began."

While some British speculators and others who are unfriendly to the prospect of a Russian economic recovery may wish to play up the impact of the global crisis on Russia, there is no doubt that the effects are real. According to the *Telegraph* article, the Russian Central Bank spent \$4 billion to support the ruble on Aug. 21 alone, and "has intervened aggressively in recent days to stave off a possible credit crunch, injecting a record \$10.6 billion into the banking system on Tuesday." Evans-Pritchard quotes Central Bank official Gennadi Melikyan on dangers to Russian banks that have borrowed a combined \$110 billion overseas to invest in Russian ruble-denominated markets.

In his Aug. 23 press conference on the global financial crisis, economist Sergei Glazyev warned that Russian officials are underestimating the impact it will have on Russia.

The *Telegraph* cites Fitch and other foreign rating agencies, on the "liquidity risk" facing Russian banks that have relied on foreign borrowing, but would have "increased re-financing risks should foreign appetite dry up." Richard Hainsworth of Moscow's RusRating acknowledged that the exit of funds from Russia in August was caused by hedge funds liquidating Russian assets to meet U.S. subprime losses.

The *Moscow Times* and *Vedomosti* reported on a lending moratorium until October by one Moscow bank, Moskommertsbank (majority owned by Kazakstan's Kazkommertsbank), which is heavily into mortgage lending. While mortgages account for just 1% of gross domestic product in Russia, they make up 5% in Kazakstan.

### **MIT Prof: Proposed U.S. BMD System Is Threat to Russia**

Aug. 28 (EIRNS)—Dr. Ted Postol, science professor at MIT and former Pentagon advisor, explained to a standing-room-only crowd in a House Armed Services Committee hearing room today, why the Administration's proposal to place a radar in the Czech Republic and missile interceptors in Poland is a strategic threat to Russia. Since the proposal was made early this year, and as recently as last week, top civilian and some military officials have insisted that Russia's ICBM force is not threatened by the proposed ballistic missile defense system.

While Postol is skeptical about the efficacy of the kinetic kill interceptor system, he pointed out that this is just the "leading edge" of a series of more sophisticated systems the Administration is proposing to deploy, citing Presidential National Security Directive 23, issued Dec. 6, 2002. It is those "improved" and "expanded missile defenses" that the Russians see as a threat. The trajectory of western-Russia-based ICBMs runs above the Polish interceptor site, if their target were Washington, D.C., and could be targetted by the Ballistic Missile Defense system.

Postol also detailed the advantage of adding the Russian Gabala radar in Azerbaijan, which President Putin has proposed for joint U.S.-Russian use. With the additional use of Aegis ship-based interceptors and facilities that could be placed in Turkey, which could *not* intercept Russian missiles, there is no reason for the Polish-Czech deployment, he said.

### **Russian Space Agency Announces New Plans for Moon Mission**

Aug. 31 (EIRNS)—Russian Space Agency head Gen. Anatoli Perminov announced new plans for the Russian space program today, adding bold new missions to what has been a stagnant policy. According to space.com, it includes the first

post-1960s official intention to send cosmonauts to the Moon, which should be possible by 2025. Perminov referred to the creation of "a new manned spaceship," which could be the reusable Clipper, and would replace the vintage 1950s Soyuz. These are two programs that were promoted by former Energia Corp. head Nikolai Sevastyanov, who was fired from that post, for proposing such far-reaching programs not endorsed by the government.

AFP reports that Perminov also said that an "inhabited station" could be built on the Moon, between 2027 and 2032. On NASA's current schedule, the first Americans since the Apollo program to land on the Moon will arrive between 2018-2020, although each year of budget cuts pushes that schedule further into the future.

Perminov said Russia will develop rocket launch sites on its own territory, but will necessarily continue to use the Baikonur launch site, which it leases from Kazakstan. Russia will also continue to pursue the launch of space "tourists," five of whom have paid more than \$20 million each for a trip to the space station.

## **China and Russia Sign Trade Agreement**

Aug. 25 (EIRNS)—China and Russia signed a trade deal on Aug. 23, establishing a joint chamber of commerce for machinery and electronic products. Such a mechanism was agreed to earlier this year by Presidents Vladimir Putin and Hu Jintao. Russia, whose trade to China has been predominantly in the field of energy and raw materials, wants China to buy more of its manufacturing products. Chinese Commerce Minister Bo Xilai said that China was interested in doing so. "China expects to import more machinery and electronic products from Russia, but we will choose what is proper," Bo said. The two sides also signed agreements dealing with trade in lumber and farm products.

In related developments, new border crossings along China's northeastern Heilongjiang Province, bordering Russia, are for import and inspection of Chinese rice. China has also established an economic and trade cooperation zone in the Russian city of Ussuriysk. The Ussuriysk Economic and Trade Cooperation Zone, approved by Russian and Chinese commercial authorities, covers 2.28 million square meters. More than 60 large and medium-sized domestic and overseas companies, specializing in a large variety of manufacturing and processing industries, including shoes, apparel, timber, household appliances, automobiles and components, are expected to set up offices and plants in the zone.

## **Southwest Asia News Digest**

*This week's InDepth features three articles on aspects of the crisis in Southwest Asia. See our International section for the following:*

### **British Hand Is Pushing Bush Into Iran War Trap** **by Michele Steinberg and Jeffrey Steinberg**

On Aug. 28, after George W. Bush delivered a speech to the American Legion where he raved about a "nuclear holocaust" coming from Iran, and vowed to continue—and even escalate—the war in Iraq, Lyndon LaRouche warned that British interests were goading the President into a suicidal flight-forward that would lead to a cataclysmic Hundred Years War...

### **Israel-Palestine: Peace Conference or Hot Autumn?** **by Dean Andromidas**

While the U.S. State Department appears to be busy preparing a "Middle East Peace Conference" for November, the region is preparing for the war that Vice President Dick Cheney wants to start against Iran....

## **Behind Bush's Latest Anti-Iran Diatribe** **by Muriel Mirak-Weissbach**

President Bush's most recent charges that Iran is threatening to unleash a "nuclear holocaust," must be seen in the context of the drumbeat for military aggression against Iran....

## **Asia News Digest**

### **Why Bombs Went Off in Hyderabad**

Aug. 27 (EIRNS)—Three synchronized bombs—two of them in an amusement park, and the other close to Hyderabad, India's, main Mecca Mosque—went off on Aug. 25, killing 44 and injuring scores. A few months ago, a bomb went off inside the Mecca Mosque on a Friday, the day Muslims have their *jumma namaaz* (community prayer), killing many.

To understand the violence that has sprung up in recent days in Hyderabad, an understanding of the locale is important. Hyderabad, capital of the southern state of Andhra Pradesh, with a large Muslim population, was once the seat of by far the most powerful lines of Muslim regional sovereigns (Nizam) in India under British rule, is now one of the two "jewels" in India's IT program, the other being Bangalore. There is a growing rift between the new wealthy and the mass of poor people. Most of the *nouveaux riches* have immigrated from other states, and cannot speak the local language.

Hyderabad is surrounded by agricultural land where the feudal landowners have pauperized the majority over the decades. Andhra Pradesh is now one of the main operational centers of the Maoists, and also a state where thousands and thousands of farmers have committed suicide over the last five years or so. (see "Indira's Legacy at Risk In Indian Farm Crisis," *EIR*, Aug. 31, 2007, [http://www.larouchepub.com/other/2007/3433-34india\\_farm\\_crisis.html](http://www.larouchepub.com/other/2007/3433-34india_farm_crisis.html))

There is no question that some of these desperate people have been recruited by various terrorist groups—based outside of India, the Indians claim—to give a body blow to one of India's latest "temples." These terrorist groups find little difficulty in recruiting people who are willing to "hurt" society.

The outside terrorist groups—ostensibly Islamic—view India as a partner of the West in the "war on terror" directed against Muslims. The objective of the terrorist groups is to trigger a big Hindu-Muslim riot, which, they believe, would create a major crisis for India's polity.

### **Huge Afghan Poppy Crop, Despite U.S. 'Eradication' Dollars**

Aug. 28 (EIRNS)—Despite media promotion and virtual squandering of U.S. taxpayers' \$600 million used for "eradication" of poppies, a United Nations report on 2007 opium production in Afghanistan shows that opium production in 2007 rose by 17% over the record 2006 bumper crop. It is likely that Afghanistan's opium harvest in 2007 has crossed 7,000 tons for the first time ever. The highest amount of opium ever produced in Afghanistan prior to the U.S. invasion of Afghanistan in the Winter of 2001, was 4,000 tons.

The UN report pointed out that today, in Afghanistan, the land under opium cultivation is greater than the total area of land under coca cultivation in all of Ibero-America. Antonio Maria Costa, the executive director of the UN Office on Drugs and Crimes Policy, which issued the report, called the new figures terrifying. Afghanistan today is cultivating megacrops of opium, he said at a news conference. "Leaving aside China in the 19th Century, no other country has produced so much

narcotics in the past 100 years."

Urging both the United States and NATO to treat the opium explosion as a security threat, he said that it took almost two years for the U.S. and NATO to admit a link between opium and the growth in insurgency in certain provinces.

On the day the report was released, NATO and American officials announced the deaths of five foreign soldiers: three Americans were killed in Kunar in the northeast, a NATO soldier was killed in eastern Afghanistan, and a Dutch soldier was killed in Oruzgan in the South.

### **U.S. Admits Troops Entered Pakistan Without Permission**

Aug 28 (EIRNS)—On Aug. 25, U.S.-led coalition troops based in Afghanistan entered the Pakistani tribal agency areas bordering Afghanistan, silenced six Taliban gun positions, and killed 19 insurgents. At the time, the coalition responded to Pakistan's protests by claiming that they had Islamabad's permission to cross into Pakistan from Afghanistan.

Two days later, the coalition admitted that Pakistan had not actually given permission. "We regret the miscommunication in this event," said the coalition's deputy commanding general for operations, Brig. Gen. Joseph Votel. It shows once again that the violation of Pakistan's territorial sovereignty by the U.S.-led coalition troops and NATO continues unchecked. General Votel stated that the coalition was committed to respecting the sovereign borders of Pakistan, but did not explain what led the troops to abandon the commitment on Aug. 25.

Meanwhile, a spokesman of Pakistan's Inter-Services Public Relations (ISPR) denied the NATO spokesperson's claim that 19 local Taliban were killed in a coalition attack inside Pakistan, for which prior permission was obtained.

### **Arrest of Philippines Communist Leader Solves Nothing**

Aug. 29 (EIRNS)—The government of The Netherlands has arrested Jose Maria Sison (called Joma), the self-exiled leader of the Philippines Communist Party (CPP), who has lived in the Netherlands since 1987.

Sison's request for political asylum was never granted, but previous efforts by Philippine regimes to have him arrested have been rejected. He is charged with plotting the murder of two leaders of a faction of the CPP which split from Sison and formed the Alex Boncayao Brigade, an urban terrorist outfit which was opposed to the Maoist, rural revolution promoted by the CPP's armed wing, the New People's Army.

The Netherlands is not planning to extradite Sison, but to try him there.

The Gloria Arroyo regime in Manila is celebrating the arrest as a victory in their war on terror, which is increasingly based on a pledge to wipe out insurgencies by force by the end of Arroyo's term in 2010. This "final solution" includes the "Operation Condor"-style death-squad killings of hundreds of leftist opposition figures; and the U.S.-aided military operations against the terrorist Abu Sayyaf gang in the south, which has recently spilled over into a renewed war on Moro (Muslim) nationalist forces. Peace talks with the Communists, and perhaps also with the Moro forces, are being dumped in favor of Dick Cheney's approach.

Although Sison's armed rebellion offers nothing but further misery for the Philippines, he is nonetheless correct in recognizing, as he stated in an interview Aug. 28 with GMAnews.tv, that his support comes from the fact that the current government's radical free-trade policies and thuggery have "forced displacement of more than 1 million people from 2001 to the present," and caused "more than one thousand victims of documented extrajudicial killings." Without a national

policy which defends the general welfare, the insurgents will have a fertile ground for recruitment, with or without Sison.

## **Myanmar Destabilization Run by IMF and Cheneyacs**

Aug. 30 (EIRNS)—At a briefing today at the White House discussing President Bush's upcoming Asia trip, there was a constant refrain of "Burma-Burma-Burma," as a top item to be discussed at every meeting. The normal demonization of Myanmar (Burma) has reached a new level, as demonstrations there over the past ten days have been given prominent coverage in the Western press.

In fact, the small demonstrations were, for the first time in many years, economic in nature, protesting the lifting of some of the subsidies for fuel for the population. What is generally left out of the coverage is that the lifting of subsidies was an IMF proposal! Ironically, when Indonesia lifted its fuel subsidies last year, also under heavy IMF pressure, there were similar demonstrations—but Indonesia was praised by the West for showing courage against "populist" support for the subsidies, and for getting more in line with "market prices."

*The Nation* in Thailand, partially owned by Dow Jones, tipped the Western oligarchy's hand in the matter, writing on Aug. 27: "The IMF has been advising the junta on how to modernize its economic management and tax collection system. In normal circumstances, the junta's latest move would have been considered sound economic policy. But given the long-standing suppression and suffering of the Burmese people, the fuel-price hike represents a small window to speak out."

Bush is unlikely to be successful in turning Myanmar's Asian neighbors against it, as evidence by the title of *The Nation* article: "Uproar in Burma, Silence in ASEAN." As unwise as the lifting of subsidies may be, every government is facing the same pressure, as the global inflation rates for energy and food are skyrocketing, squeezing national governments.

## **Africa News Digest**

### **Somali Reconciliation Conference Ends; Violence Continues**

Aug. 31 (EIRNS)—The Somalia National Reconciliation Conference ended yesterday, with no visible effect on the increasing violence in the country. Held at a heavily guarded former police compound in northern Mogadishu (Somalia's capital), the Transitional Federal Government (TFG) tightened security even further at the end of the conference, sending hundreds of heavily armed troops into the main streets of Mogadishu, as violence flared the night before the conference ended, according to a SomaliNet release. An AP wire also noted the deterioration of security, reporting that, "The killings in Mogadishu, Somalia's bloodstained capital, are not going away. Nearly every day, the city endures street battles, roadside bombs, showers of bullets."

After the Ethiopian military had intervened, with U.S. support and participation, at the end of December 2006 to prop up the TFG—done in the guise of the War on Terror—President Abdullahi Yusuf Ahmed had acquiesced to calls for a reconciliation conference, in an effort to give the invasion some legitimacy. Prior to the Ethiopian and U.S. intervention, the isolated TFG had been holed up in one town, Baidoa, with no influence in the rest of the country.

After three postponements, the conference, representing the main Somali clans, began July 15, but the TFG prevented its opponents—whether armed or unarmed—from participating, and instead used the conference to attempt to build a power base in the country. After the Ethiopian military intervention, the TFG sacked one of its own cabinet members who was in favor of pursuing negotiations with the Islamist UIC grouping, which had been predominant in a large part of the country before the Ethiopian military intervention.

President Yusuf hailed the conference as a success, and said he couldn't understand why some Somalis still opposed the TFG. But, an IRIN release quoted Salim Lone, columnist for the Kenyan *Daily Nation*, who said the conference "achieved very little since none of the key issues essential to restoring security, as well as a broader peace, was discussed." The release also quoted Timothy Othieno, a Horn of Africa analyst in Johannesburg, who characterized the conference as "a total failure" because of the way the participants were chosen and the arbitrary approach of the TFG: "The TFG determined who was going to attend and who wasn't. You cannot place conditions on participants if you are trying to reconcile a nation."

## **Defense Minister: U.S. Troops Not Welcome in Southern Africa**

Aug. 30 (EIRNS)—South African Defense Minister Mosiuoa Lekota yesterday said that more U.S. soldiers are not welcome in Africa, according to the South African daily *Business Day* today.

In a press briefing to the media, Lekota said the 14-nation Southern African Development Community (SADC) defense ministers, at their summit in Lusaka this month, decided that no member-states would host Africom and more U.S. soldiers.

"Africa has to avoid the presence of foreign forces on its soil, particularly if any influx of soldiers might affect relations between sister African countries," Lekota said. The idea of a renewed U.S. focus on Africa was not new, he added.

"Nevertheless, the SADC has adopted the position that it would be better if the U.S. did it from a distance," and did not cause instability in Africa.

He said this was also the "continental position" of the African Union, and indicated that any country that allowed itself to be a base for the U.S. Strategic Command in Africa (Africom) would have to live with the consequences. Liberian President Ellen Johnson-Sirleaf has reportedly already offered her country as a base for Africom.

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