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Six Months Into the Greatest Ever Financial Crash

Lyndon LaRouche delivered the keynote address to an international webcast, on Jan. 17, 2008. Here is an excerpt:

The presentation and discussion which is going to occur now, will be for most of you, one of the most important things in your lives--the issues. Because we are at a point, not of an ordinary crisis, not of a financial crisis, not of a mere depression, but of a global breakdown crisis, centered in the trans-Atlantic community, especially the English-speaking trans-Atlantic community, which will radiate, if it's not stopped, to bring every part of the world into a {general breakdown of their respective social systems.} This is one of the greatest moments, in terms of importance, in history, since the 14th Century in Europe, with its new dark age, and since similar events, like the collapse of the Roman Empire, or the collapse of the Byzantine Empire....

In-Depth articles from EIR, Vol. 35, No. 4

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LaRouche Webcast

Six Months Into the Greatest Ever Financial Crash

Lyndon LaRouche, in his keynote speech to a Jan. 17 webcast from Washington D.C., emphasized that the present crisis is not a mere financial crisis, nor a depression, but a global breakdown crisis, which, if not stopped, will radiate out from the Trans-Atlantic English-speaking community, 'to bring every part of the world into a general breakdown of their respective social systems.' He characterized it as one of the most important moments in history since the 14th Century in Europe, with its new dark age, and said that none of the governments in existence today, has any efficient comprehension of measures to deal with this crisis. He asserted, however, that the crisis is manageable, and addressed the measures of control which the government of the United States and other governments must take now, if they're going to save civilization, which he elaborated further in the Question-and-Answer period that followed.

World News

LaRouche:

Israeli War Plans Against Gaza Are Insane

Lyndon LaRouche warned on Jan. 17, that if Israel follows the advice that President Bush delivered during his tour of Southwest Asia, it would create regional chaos, and almost surely lead to the destruction of Israel. LaRouche identified such an all-out destabilization as fundamentally 'Made-in-London,' in pursuit of the British policy of using 'managed chaos' to create a 'post-Westphalian' world system.

German Government Agrees To Put Schacht's Policy Into Constitution

Helga Zepp-LaRouche warns that, by agreeing to incorporate the EU demand to submit and enact balanced budgets into the German Constitution, the government coalition under Chancellor Angela Merkel is rendering itself incapable of carrying out an FDR-style solution to the economic crisis.

Brits Wanted Military Coup in Italy in 1976

International Intelligence

National

The LaRouche Show:

Clinton Campaign Pulls Nation Back From Brink

Harley Schlanger interviewed LaRouche spokeswoman **Debra Freeman** and two leaders of the LaRouche Youth Movement on the LaRouche Show Jan. 12. The Internet broadcast focussed on the dramatic shift in the U.S. Presidential campaign resulting from Clinton's victory in the New Hampshire primary, and on the push for an independent Presidential bid by billionaire, and fascist, New York City Mayor Michael Bloomberg.

City of London's Wish Is Their Command

LaRouche's HBPA Is 'Uniting the Nation'

City and state elected officials are responding more seriously than ever before to the LaRouche PAC's call for a Homeowners and Bank Protection Act (HBPA).

Violent Video Games Incite Teen Violence

An interview with **L. Rowell Huesmann**.

National News

Economics

The Constitution, or Fascism

The United States is now bankrupt, depending on multi-million-dollar injections by foreign institutions. The way to deal with the breakdown of the economy is to go back to the Constitution.

The 'Next Domino' Is Biggest:

Derivatives

Schiller Institute in Denmark Testifies in Parliament on Financial Collapse

Appearing before the Political-Economic Committee of the Danish Parliament Jan. 17, Schiller Institute chairman **Tom Gillesberg** testified that only by establishing a New Bretton Woods system could we avoid total chaos.

Eurasian Land-Bridge Enters a New Era

Will Canada Choose the American System or Collapse With the British?

Now that Canada's financial institutions are facing the same disaster as those of the rest of the world, if Canada is to survive, it must seize its national destiny of building a great continental nation.

Interviews

L. Rowell Huesmann

Dr. Huesmann, of the University of Michigan, published 'The Impact of Electronic Media Violence: Scientific Theory and Research,' after reviewing more than 50 years of research on the subject.

Books

Science & Religion:

Life at an Atheist's Funeral

Lyndon H. LaRouche, Jr. tears into the fraudulent notion that religious belief is merely an arbitrary assumption, as advanced by John Allen Paulos' *Irreligion: A Mathematician Explains Why the Arguments for God Just Don't Add Up*. This, LaRouche says, is premised on 'the assumption of a radically reductionist version of digital deductive-inductive methods, which have no agreement with the characteristics of the human species.'

Lincoln's Dilemma:

Emancipation—When?

Act of Justice: Lincoln's Emancipation Proclamation and the Law of War,
by Burrus M. Carnahan.

U.S. Economic/Financial News

Ambac Downgraded: Another Nail in the Financial Coffin

Jan. 18 (EIRNS)—Ambac, the nation's second-largest bond insurer, was stripped of its critical AAA credit rating today by Fitch rating agency, which cut its rating two notches to AA. The move came after Ambac had to abandon plans to raise \$1 billion in new capital when its stock dropped by 70% in the last two days.

Though S&P and Moody's have yet to cut their ratings on Ambac, those cuts are inevitable, unless the company can find new capital, and without its top rating, Ambac's business will rapidly deteriorate, as will the guarantees it provides on \$556 billion in bonds, including some \$67 billion in bonds issued by CDOs (collateral debt obligations).

Bond insurance is more of an accounting trick than actual insurance, since the bond insurers don't have anywhere near enough capital to cover any widespread wave of defaults on the bonds they back. The bond insurers basically rent out their AAA ratings to give the illusion that the bonds they insure are sound. The losses now working their way through the markets after the seizing up of the securitization scam, will destroy the bond insurers, and the illusion of protection they provide. The demise of the bond insurers is a yet another nail in the coffin of a dead system.

Building a 'Floor' Where There is No House

Jan. 15 (EIRNS)—Lennar Homes announced today that it has sold 11,000 properties in eight states to investment bank

Morgan Stanley for 40 cents on the dollar (based on an already depressed November valuation). The purchase, by Morgan's Real Estate division, was for properties in 32 communities, although the amounts and in what states of development the properties were in, were not stated. Wall Street has seized on this, the first big sale since the market began to tank, proclaiming that this event had (finally) set a "floor" for the industry, as if it can only go up from here. What they don't yet understand is that it is the entire house which is collapsing, and, as they are trying to build a "floor," the "basement" is continuing to recede.

Indicative of the collapse process we are now in, is the emergence of real estate "vultures." About 150 so-called "real estate opportunity funds" have been formed to buy distressed properties and other assets, a 21% increase over the number this time last year, and an all-time high, according to Real Estate Alert, as quoted by *Bloomberg*. "We're watching Denver, Phoenix, Austin and Tucson, but South Florida is our principal focus," said one self-described vulture. "If you're a vulture, Florida has more carrion. This stuff is lying on the ground. It's lost life. Some of the stuff in Phoenix is still breathing. Perhaps not for long."

Widening Collapse Now Threats State Budgets, Services

Jan. 15 (EIRNS)—As the financial system collapses, revenue shortfalls are hitting state legislatures nationwide. In addition to more publicized problems in New York, California, and New Jersey, reports from other states are mounting, with only one solution, LaRouche's Homeowners and Bank Protection Act.

Maine: New sales tax revenue estimates indicate that further cuts are likely and that the rainy day fund will have to be tapped. "With the ink barely dry on the proposed supplemental budget, the Baldacci administration is expecting more red ink and more spending cuts," says the *Bangor Daily News*, "as the recently re-projected sales tax revenues are failing to meet the lower estimates." The state's Finance Director Rebecca Wyke said that November sales tax revenues were down by at least another \$1 million, and that "there is no expectation, based on national studies and anecdotal reports of sales in Maine, that there will be a rebound when December sales tax receipts" come in. Gov. John Baldacci is so far determined to keep the social safety net in place. "We have to do it differently," he told the paper, "but we will keep it in place."

Michigan: The State's Treasurer, Robert J. Kleine, said revenues are down roughly \$200 million from the adopted budget, which was slashed and tax hikes made, to adopt it. "We continue to see very slow growth in state tax revenues," he told AllPatriotNews. "Annual sales tax collections have grown less than the rate of inflation for six consecutive years, while, adjusted for inflation, General Fund revenues have dropped nearly 40% since 2000 ... [and] the slowing national economy will reduce 2008 revenues below levels assumed in the budget."

Kentucky: The state legislature is considering a 12% cut in the Department of Education's general fund, with an additional 7% in specialized education programs, including cancelling full-day kindergarten.

The System Is Bankrupt: Citigroup, Merrill Lynch Report

Jan. 15 (EIRNS)—Citigroup reported the largest loss ever admitted by a U.S. bank today, \$10 billion for the fourth quarter, but that loss, as big as it is, is actually a cover story designed to hide far more serious damage. In the fourth quarter, the bank took \$18 billion in losses on mortgage-related securities and added \$4 billion to its reserves for losses on loans and consumer credit, losses which reflect the overall collapse of the global financial system. To help plug the hole in its balance sheet from these losses, the bank revealed \$12.5 billion in new capital from the investment arm of the government of Singapore, the Kuwaiti Investment Authority, and others, on top of the \$7.5 billion it obtained from the Abu Dhabi Investment Authority last November; in all, the bank has raised about \$26 billion since the crisis began.

Merrill Lynch announced that it had arranged a \$6.6 billion capital injection from Korean Investment Corp., the Kuwaiti Investment Authority and others, on top of the \$6.2 billion it arranged in December.

These injections represent a global effort to try to contain the effects of the blowout of the international financial system last year, in which trillions of dollars of nominal financial values vaporized, never to return. The losses have already occurred, and what is playing out now is merely the accounting for those losses on the balance sheets of the players. The banks are desperately trying to stretch out the reporting of these losses to buy themselves time, because to tell the truth would be to admit that they are hopelessly insolvent—what they are hiding is much worse than what they are admitting! As Lyndon LaRouche observed, "there is no bottom to this crisis." The system itself has died, and is taking the banking system with it.

Home Foreclosure Rate Accelerating

Jan. 17 (EIRNS)—A report on home foreclosures in California during December and the first third of January shows that the pace of foreclosures is accelerating. Foreclosures jumped 45% month-over-month in December, with some 32,948 households receiving foreclosure notices, with 12,783 losing their homes to repossessions and auctions, according to ForeclosureRadar.com. In January, a "gargantuan" 9,001 properties were sold at auction in just the first eight business days, the report said. Housing construction starts fell 14% in December to an annual rate of 1 million homes, the lowest number since the 1991 recession, while for the entire year of 2007, starts fell 25%, the biggest year-over-year decline since the days of the Volcker Fed's "controlled disintegration" interest rates in 1980. However, since the builders sold less than 700,000 homes last year, they are still building considerably faster than they are selling, a process which will destroy the builders and send housing prices downward, triggering even more foreclosures.

Global Economic News

U.K. to China: Bring Your Money to London, not U.S.

Jan. 19 (EIRNS)—British Prime Minister Gordon Brown, during his discussions yesterday with Chinese Prime Minister Wen Jiabao, invited the China Investment Corporation (CIC), a \$200 billion sovereign wealth fund, to use the City of London as its "overseas base." The British press is blaring that the "China bashing" in the United States leaves an opening for Britain to make this plug for the City of London's "open door" policy, in contrast to what the *Financial Times* called "protectionist signals" from the U.S., France, and Germany. Brown said in Beijing: "This is a very substantial fund. It can be invested positively. I realize that in some countries it is controversial, but I have talked to Premier Wen Jiabao. We want Britain to be the No. 1 destination for China's business as it looks to invest around the world."

The London Stock Exchange used Brown's trip to announce that it is opening an office in Beijing, to encourage Chinese companies to list in London. At present, there are only six Chinese companies on the LSE main market, compared to 39 in New York.

Wen responded to Brown's announcement by reiterating that the CIC would only be investing about one-third of its capital abroad, some \$60-70 billion, the *China Securities Journal* reported today. "The amount of capital to be invested abroad is not as large, since we will continue to push forward the reform of other state-owned commercial banks, which would require further capital injections from CIC," said Wen. The CIC was set up in 2007 as an investment vehicle for what is just a very small portion of China's \$1.5 trillion foreign exchange reserves. So far, the CIC has invested some \$8 billion in Morgan Stanley and Blackstone Group LP.

Wen also addressed the "China bashers," emphasizing that China has neither intention nor capability to threaten others.

"We have our hands full with our own affairs," he said.

So far, Wen and Brown have signed eight agreements involving almost \$800 million, in education, climate change, renewable energy, and the development of sustainable cities. These are small, in contrast to the \$23 billion worth signed by French President Nicolas Sarkozy during his visit to Beijing in November. However, the Chinese and British sides also agreed to raise their already substantial \$40 billion in trade to \$60 billion by 2010.

Italy's Galloni Demands Public Spending

Jan. 18 (EIRNS)—Italian economist Nino Galloni, who spoke at a Schiller Institute Conference in Germany on Sept. 15, 2007, on the Eurasian Land-Bridge, warned this week of the dire consequences of a failure to expand public productive investment to stop the economic collapse.

Interviewed by the newswire *Agenparl* on Jan. 15, about government reports that there was a reduction of public expenditures over the last year, Galloni said that "without an adequate development of public expenditures, there is no possibility of modernizing the country. Infrastructure, research, education, health, and transportation demand urgent, costly interventions, able to increase production and development of resources. Here, instead, we go on talking about balancing the budget, like 200 years ago, when current technologies were not available, and the economy had to save in order to make investments; without investments, there is no future, no development. Even the foundations of civilization are being eroded. We must understand that public expenditures cannot be financed only through taxation of the citizens and of industrial firms."

'Worst Crisis Ever' for Japanese Ruling Party

Jan. 17 (EIRNS)—As the Japanese stock market continued to plunge, Prime Minister Yasuo Fukuda told the convention of the ruling Liberal Democratic Party today, that the party "frankly admits it is facing the biggest crisis since its establishment," in 1955. In the elections last year, the LDP lost control of the upper house of parliament for the first time, although it still controls the more powerful lower house. The opposition Democratic Party of Japan is calling for another general election, but Fukuda wants to block that. "We are in a difficult situation in managing parliamentary affairs," Fukuda said.

He said that the Japanese economy was now in such a "delicate" state that it would be unwise to call a general election. Fukuda said the government would "respond if necessary" to prevent a stock market rout, but in reality government deficits are so massive that there is little room to do anything.

The Nikkei index has fallen 11% in barely two weeks, the worst start to the year since 1945. It is down 24% from its peak and as a result of investors fleeing the stock market for government bonds, yields on five-year government bonds have dropped to 0.86%. The yen has risen sharply, from 251 to 210 to the pound, since the crisis broke out last Summer. The yen surge is hitting the big exporters, led by Toyota, Honda, Sony, and Toshiba.

United States News Digest

Wexler Demands Impeachment Hearings

Jan. 18 (EIRNS)—Florida Democrat Rep. Robert Wexler gave a short, impassioned speech on the floor of the House on Jan. 15: "In this time, at this moment, Congress must stand for the truth. If we fail to act, history may well judge us

complicit in the alleged crimes of Vice President Cheney.... In the history of our nation, we have never encountered a moment where the actions of a President or a Vice President have more strongly demanded the use of the power of impeachment." Wexler held up a thick packet containing the names of almost 189,000 Americans who had responded quickly to his call for support of hearings on Rep. Dennis Kucinich's (D-Ohio) impeachment resolution. He is publishing a few thousand names into the *Congressional Record* every day over the coming months, and has sent a letter to Judiciary Committee Chairman John Conyers (D-Mich.), praising his work on oversight of balance of powers, and asking Conyers to "hold a sober investigation and let the facts determine the outcome."

House Speaker Nancy Pelosi acknowledged that she is under enormous pressure for protecting Dick Cheney from impeachment proceedings, in responding to a question at her press conference on Jan. 17. "Members of your caucus have accused you of silence and denial ... in [not] having impeachment hearings concerning Vice President Dick Cheney." Why not "have hearings and see whether or not there were impeachable crimes?" a reporter asked. After a monologue about legislative "successes" (which have brought the Democratic Congress down to a 10% approval rating), Pelosi spilled the beans: "And you're right. I am criticized for it [blocking impeachment hearings on Cheney—ed.], not only in my caucus, but across the country—because I go through airports, and people have buttons as if they knew I was coming."

Holt Calls for Return to Paper Ballots

Jan. 17 (EIRNS)—Rep. Rush Holt (D-N.J.) today introduced an emergency bill into the House Representatives, which offers \$600 million to voting districts to convert to paper ballots and/or put in auditing systems in time for the November Presidential election. Lyndon LaRouche has often said that all elections have to be conducted by paper ballot. Holt's bill has been dubbed "The Confidence in Voting Act of 2008," and seeks to address the problems that have been shown with the use of electronic voting machines, one of which is that there is no paper trail to assist in recounts. Holt said "he crafted the emergency bill because the House has not approved his earlier measure that mandated the use of backup paper ballots and audits in time for the Presidential election."

DOJ Is 'AWOL' in Prosecuting Contractor Crimes in Iraq

Jan. 16 (EIRNS)— Human Rights First released a report today on holding contractors working for the U.S. government overseas accountable for abuses and crimes that they commit. While the U.S. military has held approximately 60 courts martial of U.S. soldiers for homicide in Iraq, no civilian contractors have been prosecuted for violent crimes against Iraqi civilians. But, as human rights lawyer Scott Horton, one of the authors of the report, made clear, the problem is hardly one of gaps in the law, but rather the lack of interest on the part of the Bush/Cheney Justice Department to do its primary job, which is law enforcement. "The DoJ has gone AWOL," Horton said.

When *EIR* asked Horton to expand on why he thought the Justice Department has not been prosecuting crimes by American contractors, he said, "That's a great question for the DoJ. We only seem to see action when an issue involving contractors has been on the front pages for some time." He noted that in the Abu Ghraib scandal, the Army Criminal Investigative Division quickly and thoroughly prepared a case file on 11 contractors involved in the abuses of detainees at that prison, which was then turned over to the U.S. Attorney for the Eastern District of Virginia, but the DoJ hasn't done anything in the three years since.

Horton also cited the Sept. 16, 2007 incident in Nisoor Square in Baghdad, where Blackwater guards killed 17 people. The DoJ should have been conducting the investigation from the outset, but they didn't show up until two weeks later, and by then, the State Department had already made a mess of things by giving immunity to some of the Blackwater guards.

The third case cited by Horton was that of Jamie Lee Jones, a former KBR employee who was raped by fellow contractors while in Iraq, which the DoJ has also failed to act on. When the House Judiciary Committee held a hearing late last year on

her case, the Department didn't show up.

State AGs Meet To Clamp Down on MySpace Crime

Jan. 15 (EIRNS)—The offices of 49 of the 50 U.S. states' Attorneys General reached agreement with representatives of MySpace yesterday, to limit the social networking site from spreading "pornography, harassment, cyberbullying and identity threats," according to Associated Press.

Though the press has pushed the line that the agreement is to stop "sexual predators" from using MySpace, no agreement is going to stop these Internet sites from spreading crime. Texas AG Greg Abbott refused to participate, saying, "We are concerned that our signing the joint statement would be misperceived as an endorsement of the inadequate safety measures."

MySpace trumpeted the agreement as a "landmark step forward in providing new protections for teenage members." Parry Aftab, who heads an organization to protect children on the Internet, told AP that "20 percent of teens have met someone online that they had never met in person, and there are numerous examples of sexual abuse arising from MySpace encounters."

The LaRouche PAC, which has circulated hundreds of thousands of copies of the pamphlet "Is the Devil in Your Laptop?" has catalyzed what the press has identified as "mounting pressure" on elected and law enforcement officials to do something about MySpace, owned by right-wing media baron Rupert Murdoch. MySpace has reportedly more than 110 million active users worldwide, and Facebook, owned by Bill Gates, claims more than 61 million active users.

Neocons Complain That Iran NIE Was Slanted

Jan. 14 (EIRNS)—Stung by its inability to "get a war on" in Iran, today's *Wall Street Journal* does its best to show the neocons how they lost the battle of ideas. The article describes the creation of the National Intelligence Estimate (NIE) on Iran, which said that Iran had stopped its nuclear weapons program in 2003. The *Journal* draws battle lines between the "bureaucrats" at the State Department and the neocons. Unlike with the war in Iraq, where neocons, using "intelligence" from sources such as the notorious "Curveball," when it comes to Iran, so far, the bureaucrats have held back the dogs of war. The article in the (Rupert Murdoch-controlled) *Journal* traces the actions of "veteran State Department official" Thomas Fingar, one of the "leading architects" of the Iran report. With the "reconfiguration of the intelligence landscape in late 2004," Fingar moved to the newly created Department of National Intelligence (DNI), from where he directed the process leading to the Iran NIE.

The neocons have formulated a coordinated response, saying that the "doves" at State are now lording it over the "hawks." They quote a scowling Cheneyac David Wurmser saying, "This all smells like policy validation," but never once acknowledging that all their "intelligence" of "weapons of mass destruction," and "aluminum tubes," not to mention Saddam's trying to "buy yellowcake in Niger," were complete fabrications. Fingar responded, "The idea that this [the NIE] was written by a bunch of nonprofessional renegades or refugees is just silly."

Court of Appeals Okays Waterboarding Torture

Jan. 13 (EIRNS)—Director of National Intelligence (DNI) Mike McConnell reportedly said, in an interview in the coming week's *New Yorker*, that waterboarding would be torture if it were used against him, or if the subject were taking water into his lungs. McConnell, however, according to news reports, declined "for legal reasons" to say whether the technique categorically should be considered torture.

Meanwhile, the U.S. Court of Appeals in Washington, D.C. (considered to be second only to the Supreme Court) on Jan. 11 issued a ruling dismissing a lawsuit by four British Muslims who allege that they were tortured and subjected to religious abuse in the U.S. military prison at Guantanamo, after their capture in Afghanistan. McClatchy Newspapers' report on the ruling comments, "It appeared to be the first time that a federal appellate court has ruled on the legality of the harsh interrogation tactics that U.S. intelligence officers and military personnel have used on suspected terrorists held outside the United States since the terrorist attacks of Sept. 11, 2001."

The claim of a violation of the Religious Freedom Restoration Act (RFRA), which had survived lower court dismissals of other claims, was dismissed by the Court of Appeals because the plaintiffs were aliens held outside the United States, so the RFRA's definition of "person" whose religion had been burdened, did not apply to them. Judge Janice Rogers Brown reportedly dissented from parts of the Court of Appeals opinion, saying that "it leaves us with the unfortunate and quite dubious distinction of being the only court to declare those held at Guantanamo are not 'person[s]'. This is a most regrettable holding in a case where plaintiffs have alleged high level U.S. government officials treated them as less than human."

Ibero-American News Digest

British Escalate War Plans for Ibero-America

Jan. 17 (EIRNS)—Ibero-America is careening towards war between Venezuela and Colombia, with all their neighbors drawn in, as Venezuelan President Hugo Chávez, an instrument of British policy, squares off against the British-controlled followers of Dick Cheney, to blow up the region.

On Jan. 16, U.S. Southern Command chief, Adm. James Stavridis, gave a threatening speech at the Washington-based Center for Strategic and International Studies (CSIS), on the alleged danger of Iran linking up with narcoterrorists in South America, while showing pictures of Chávez with Iran's President Mahmoud Ahmadinejad, and with Ecuadorian President Rafael Correa and Bolivia's Evo Morales. As Stavridis spoke, Chávez and Nicaraguan President Daniel Ortega stated in a joint press conference from Managua that the region will rise up against "the U.S. empire," and labeled Colombian President Alvaro Uribe a threat to peace, as an agent of that "empire." Chávez dismissed the Colombian government's protest of his meddling in that country's internal affairs by supporting the FARC narcoterrorists, and reiterated that he intends to ignore the Uribe government, and organize its "people" directly.

In an act that will further exacerbate tensions between the two nations, the Venezuelan National Assembly passed a resolution on Jan. 17 granting "belligerent status" to the Colombian FARC and ELN. This act of lunacy came just a week after Chávez called on the world community to recognize the groups, both guilty of heinous crimes in Colombia, as "belligerents"—that is, as groups whose fight against the government has some legitimacy.

Approved by 161 of the 168 members of Venezuela's Congress, the resolution recognizes the FARC's and ELN's "belligerent status," provocatively characterizing them as "insurgent movements," and arguing that this sign of "good will" is the first step toward dealing with these groups politically and "generating confidence" for future negotiations for hostage releases.

Is Coca Behind Chávez's Drive To Legalize FARC?

Jan. 14 (EIRNS)—"I chew coca every day in the morning, and look at me.... [Bolivian President] Evo [Morales] sends me coca paste. I recommend it."

That remarkable declaration made by President Hugo Chávez in his annual report to the National Assembly on Jan. 11, might explain a few things about his recent drive to convince governments, starting with the Uribe government in Colombia, to grant formal "belligerent" status to Colombia's FARC and ELN narcoterrorists.

Coca leaves are the primary ingredient used for making cocaine, and coca paste is the first step in the process of turning coca into the narcotic. British oligarchs and such speculator allies as George Soros have taken up "defense" of the coca leaf as a "millennarian" tradition today, demanding its widespread cultivation and processing, as a "smart" flank in their new drug-legalization Opium War. The Spanish colonial interests loved coca too, because it allowed them to work the Indians to death in the silver mines with less complaining, since it blocks hunger pangs.

Ecuador Has a Better Idea: Raise Wages, Regulate Banks

Jan. 16 (EIRNS)—Ecuadorian President Rafael Correa issued a statement on Jan. 5, lambasting businessmen in his country who protest that increasing wages is an attack on production, but remain silent about the high interest rates citizens are forced to pay on capital.

"It is immoral to exploit labor. And the salaries paid in Ecuador are immoral. We are not going to return to the days of slavery," on account of some fairytale that wages need to be kept low to generate jobs, he said.

Pointing to the disproportionately high rate of return on capital (through interest rates), as compared to the ridiculous payment for human labor (through salaries) as a source of inequity and inequality, Correa declared that his government will regulate interest rates and finance, and continue to progressively increase the minimum wage.

At the end of 2007, his government decreed a 17.6% increase in the minimum wage, up to \$200 from the scandalous \$170 *a month*, which Correa had denounced as "an insult to dignity." But even \$200 a month was deemed excessive by Ecuador's large business federations.

Mexican Miners Strike, Peasant Union Denounces NAFTA

Jan. 16 (EIRNS)—Mexico's National Mineworkers Union called a nationwide one-day strike for today, in support of the copper miners of the Cananea mine in northern Sonora, who were violently forced from the premises on Jan. 11 by federal and state police agents, after a five-month strike over demands for better safety and health conditions. The Cananea copper mine is one of Mexico's largest, and the workers there have a fighting tradition dating back to the 1910 Revolution.

The miners' mobilization is part of the growing ferment against the conditions of economic breakdown now sweeping the country—including peasant demonstrations against NAFTA's destruction of domestic corn and bean production; protests over inflation, especially of food staples such as tortillas; and opposition to privatization of the energy sector.

The PRI party's National Peasant Confederation (CNC) condemned the government's attack against the Cananea miners, and warned that such repression against a legal strike sends a clear message to rural workers, who are expressing their rejection of NAFTA. Cruz López Aguilar, the head of the CNC, also announced that electricity workers union leader Martín Esparza Flores has endorsed the CNC's call for a national mobilization against NAFTA on Jan. 31. Esparza explained that the problems in the energy sector are also a result of NAFTA, since government-run electricity plants are being shut down to allow "independent producers" to take their place.

Chile's Pension Reform Leaves Pinochet System Untouched

Jan. 16 (EIRNS)—The much-awaited pension reform that Chilean President Michelle Bachelet had promised when she took office in early 2006, is now about to be approved in Congress and go into effect in four or five months. It falls short of what Bachelet promised, when she correctly charged in 2005 that the private system that had been so brutally imposed by fascist dictator Augusto Pinochet in 1981, had to be reformed in order to protect the "public welfare."

The reform reflects the fact that Bachelet didn't have the backing she needed to take on the financial vultures that control the Pension Fund Administrators (AFPs), as the private system is known. For now, it will remain virtually untouched, except for a palliative basic floor, or "solidarity" pension.

The AFPs will be free to continue to ride roughshod over the population, as they have done for 26 years. There are no restrictions on the commissions they charge; they are exempt from paying a VAT tax, and have been given enormous leeway to invest up to 80% of the \$100 billion in their possession, in overseas speculative markets, despite stacking up losses of \$6 billion over the past six months.

As *EIR* exposed in 2004-05, the AFP system was never intended to be anything but an Enron-type swindle, to loot the workforce and the economy, while reaping enormous profits for the financial sharks that run it. This is why George P. Shultz—who helped install Pinochet in power in 1973, with the help of Nazi banker Felix Rohatyn—praised the AFP system so highly, and tried to get his protégé George W. Bush, to impose it on the American people in 2005. Thanks to the LaRouche movement mobilization at the time, they failed.

The AFP system today covers only half of Chile's labor force of 6 million, providing decent pensions for only a tiny percentage of those enrolled. Meanwhile, those who apply for the basic universal pension, or the smaller "welfare" pension, can only qualify after they can prove that they are sufficiently impoverished.

Western European News Digest

Railway Group Promotes Beijing-Hamburg Land-Bridge

Jan. 16 (EIRNS)—The agreement among six Eurasian nations to facilitate rail transport from Beijing to Hamburg, initiated in China on Jan. 9, has enormous potential, the Paris-based International Union of Railways (UIC) said today. AFP quoted Luc Aliadière, CEO of the UIC, as saying that "China is the workhouse of the world—the potential is enormous." According to Deutsche Bahn, Germany's rail system, the project is expected to be commercially viable as soon as the transit time—now estimated to be 20 days—can be reduced to 15 days, which the Chinese think can be done within a year.

"It's like a new [high-speed] TGV line coming into play, and now it's becoming real," said Aliadière. For the rail companies, the prize is "grabbing a slice of the pie" of Chinese exports. His assessment is that "export transport costs, taking goods from China to Europe, are worth some EU3 billion per day," with almost all freight moved by sea. Rail companies are trying to develop a market for higher-value products.

Aliadière also noted that more and more Chinese manufacturing is moving into the interior, away from the main ports like Shanghai. This also favors rail transport to Europe. He said that, of course, "there is a lot still needing [to be] done," especially dealing with border delays due to customs regulations. These are a bigger problem than the gauge changes from China to the former USSR, and again to Europe. Changing engines takes "10 or 15 minutes," Aliadière said.

French Promote Technology Deals With SE Asia, North Africa

Jan. 28 (EIRNS)—France is at the center of a multitude of deals with developing countries, involving nuclear or high-speed rail technology.

On Jan. 13, President Nicolas Sarkozy left for a tour of Saudi Arabia, Qatar, and the United Arab Emirates. According to Élysée sources, France will sign a nuclear framework agreement with the UAE, the third of its type, following deals concluded with Libya and Algeria. The contract will deal with development and utilization of civilian nuclear power, and could lead to the signing of future contracts representing close to EU4 billion for the French companies. A fourth such contract is being prepared for signing with Morocco.

After a war of nerves which lasted eight months, the French nuclear company Areva has conceded to demands from former colony Niger, and finally concluded a very good deal for its uranium. (See Africa Digest.)

On Jan. 14, as reported by both *Xinhua Times* and *People's Daily*, China has opted for the French model of TGV high-speed rail, and will start construction of a 1,318-km connection between Beijing and Shanghai as a joint venture with the French company Alstom, with construction beginning Jan. 18, to be completed by 2013. China becomes the fifth country in the world producing its own TGVs [train à grande vitesse], after France, Germany, Japan, and Korea. The Chinese-built trains will be ready before the 2008 Olympic Games and could connect Beijing with Tianjin, 115 km north.

Fight Against Maastricht in Slovenia

Jan. 15 (EIRNS)—Slovenia has begun to fall out with the EU Commission in Brussels, over polemics against the EU institutions, as reported by several news media over the past days.

Notably, the euro is coming under attack in Slovenia, and the fact that many Slovenians speak German has helped make popular the German term "teuro" (a play on words, merging "teuer"—expensive—with euro). Especially everyday consumer necessities, including food, have seen price increases of 25% and more, in recent months.

The number of Slovenians that regret the adoption of the euro, when their nation became a member of the EU, and call for the return of their old national currency, the tolar, is increasing.

Political unrest is also increasing, forcing Prime Minister Janez Jansa to launch polemics against Brussels, as being to blame for inflation. Both the Commission and the European Central Bank have lashed back; Lorenzo Bini Smaghi, Italian member of the ECB directorate, demanded that Slovenia stop blaming others for its own mistakes, and that decisive steps be taken by Jansa to curb inflation and launch "reforms" to make the country "competitive."

Ex-Pentagon Official Tells Czech Mayors BMD Won't Work

Jan. 14 (EIRNS)—In a meeting with 30 Czech mayors in the district where the U.S. is proposing to place a ballistic missile defense radar, former Pentagon official Dr. Phil Coyle said that the Bush Administration's assertions about the capability of its proposed BMD system are an irresponsible exaggeration. He presented the results of a study on the system by the Union of Concerned Scientists, ceskenoviny.cz reported today. Coyle spent 32 years at the Lawrence Livermore nuclear weapons laboratory, and was Assistant Secretary of Defense for Operational Testing and Evaluation during the Clinton Administration. In that capacity, he evaluated every BMD test; he now accuses the Pentagon's BMD office of exaggerating its success, withholding critical information, and never carrying out a test in a realistic environment. In December 2007, *Aviation Week* quoted Coyle stating that at the rate of progress, "it could take 50 years" for the Pentagon to complete all the tests that are needed. Coyle told the mayors that if the radar base were built in their region, it would become the first target of an attack, if a war broke out.

Coyle said that the original reason why the Pentagon wanted to build the radar on Czech soil, was to protect its radars in operation in Greenland and Britain, not to protect Europe from "rogue" missiles. He said he personally supports the Russian proposal to place the radar in Azerbaijan, which, if the system ever worked, would protect more of Europe.

Pope Forced To Cancel Visit to Rome University

Jan. 16 (EIRNS)—Pope Benedict XVI cancelled a visit to Rome University, scheduled for tomorrow, where he had been invited to inaugurate the academic year. The cancellation was the result of a hostile campaign by some professors and groups of radical students. It is the first time in history that a Pope has been prevented from speaking at an Italian institution.

The revolt against Benedict's visit has been led by a left-wing fascist named Marcello Cini, who argued that the Pope is a reactionary because he defended the Inquisition against Galileo. The argument is preposterous, but it qualifies Cini as a member of the Anglo-Venetian "Sarpi faction." Cini was one of the founders of the Manifesto radical faction that split from the Italian Communist Party in 1968, in support of the student revolt. He was the only professor in the Physics Department who joined the revolt. In 1969, he attacked the Apollo mission, saying that the Moon landing was just a show. Eventually, he became one of the first leaders of the anti-nuclear movement.

Although the Vatican does not say it, some politicians have pointed to the fact that the Pope's life could have been in danger, had he accepted the invitation.

Russia and the CIS News Digest

LaRouche: Top Russians Too Complacent About World Economy

Jan. 19 (EIRNS)—Two years ago, Dmitri Medvedev, now the leading candidate to succeed Vladimir Putin as President of Russia, was one of the first Russian officials to talk openly about the global financial crisis as a strategic determinant for the years ahead. More recently, however, Medvedev has missed the mark in his evaluation of that crisis. Touring Western Siberia this past week, Medvedev noted that the development of a mortgage market in Russia has slowed because of the global liquidity crunch, Prime-TASS reported. "Let's hope that this year such processes will be mitigated, or even entirely absent, on a world scale, so that we'll be able to redress this situation," Medvedev said.

"They shouldn't be turning a blind eye to the systemic nature of the crisis!" Lyndon LaRouche exclaimed, upon hearing of Medvedev's remarks. Likewise, LaRouche called some of Moscow's claims of economic success during 2007 "unjustified boasting," given that the "successes" were based—as the Russian leadership well knows—on the worldwide speculative surge in natural gas and petroleum prices.

On Jan. 11, for example, the Russian Central Bank announced the increase of Russia's international reserves by \$172.66 billion (+56.8%) during 2007: "a new record" rise for a single year. With \$476.4 billion in reserves at year's end, the Central Bank said that Russia now ranks third in the world in international reserves, behind only China and Japan.

Another dubious success, announced by Deputy Prime Minister Alexander Zhukov on Dec. 28, was the attraction of \$45 billion in foreign direct investment (FDI), a 50% increase for the year. Even as Russia pushed to diversify its economic growth into manufacturing, two-thirds of the FDI went into the same fuel and energy complex that generates Russia's petroleum exports and its recent financial gains. Alfa Bank, one of the still-functioning institutions created by Russia's *nouveau riche* "oligarchy" in the 1990s, said in a "bright forecast," published Jan. 14 and reported by the RBC financial

news agency, "Russia is likely to become a safe haven for investors in 2008, thanks to its political stability, isolation from U.S. mortgage market problems, and high oil prices."

Offsetting the rosy year-end reports was a surge in inflation to 12% for the year, but over 16% for foodstuffs, for which Russia depends on imports in many categories. Less widely reported, but equally ominous, was the ballooning of Russian corporate foreign debt, according to a Jan. 10 report in *Vedomosti*. While the government used the national Stabilization Fund (another hoard of oil export earnings) to pay down the official state debt to \$37 billion, Russian companies, including the majority state-owned Gazprom and Rosneft firms, borrowed abroad on a large scale, bringing their total foreign indebtedness to \$440 billion—almost as much as the vaunted reserves!

On Jan. 17, Putin met at the Kremlin with Andrei Kostin, head of VTB (formerly Vneshtorgbank, the ex-Soviet Foreign Trade Bank). Kostin informed the President that VTB is positioned to take over 10-15% of the market of lending to Russian companies, "which is currently dominated by the major western banks." For this purpose, VTB is setting up an investment division with offices in Moscow and London, seeking to become "one of the leading investment banking institutions," against the backdrop of huge losses by existing global investment banks. At the same time, Kostin told Putin, VTB will continue to expand its operations in the (former Soviet) CIS countries, India, and China.

U.K. Analyst Offers Plan To Cut Russia Down to Size

Jan. 19 (EIRNS)—The first days of 2008 saw the publication, and international circulation through Johnson's Russia List and other Internet venues, of a plan to cut Russia down to size. Titled "Russia & the West: A Reassessment," Shrivenham Paper #6 of the Defence Academy of the U.K. was written by James Sherr, a British military analyst of Russia since the late Soviet period. While a disclaimer says that the content may not "reflect the views of the Ministry of Defence or Her Majesty's Government," the report dramatizes the extreme hostility to Russia on the part of leading circles in Britain, cited by Lyndon LaRouche during his Jan. 17 webcast.

Sherr writes, "A powerful Russia is once again a fact of life.... They have recovered pride in their own traditions and are determined to advance their own interests.... The post-Cold War partnership, founded at a time of Russian disorientation and weakness, is over.... Although Russia is not a global threat, it seeks to be both enabler and spoiler." Above all, Sherr berates Western leaders for having "underestimated" the Russian leadership's assumption that it should have "equal say" with other nations, concerning security issues in Europe.

The British analyst proceeds to catalogue weaknesses of the current Russian system, which could contribute to cutting Russia down to size. He expresses particular interest in the potential for internecine strife in the Russian intelligence and law enforcement community, to undercut Putin's authority while he is still in office, or to disrupt an orderly succession. In the economic field, Sherr points to vulnerabilities in Russia's energy sector, which "is seen by many in the Kremlin as a foundation of the country's power and an engine of economic growth and modernization." The chief vulnerability, he suggests, is Gazprom's failure to develop new gas fields, making the Russian gas monopoly dependent on purchasing gas from other former Soviet republics, in order to meet domestic demand and also export. For Sherr, the most promising developments in the energy field are revitalized EU efforts to force Russia to change Gazprom's distribution practices, and "the alienation of Russia's traditional partners," among which he cites developments involving Germany, Sweden, Hungary, and Turkey.

Sherr concludes that "Russia is underestimating its own shortcomings and our potential leverage," and opines, "We should not."

Russian-British Tensions Escalate

Jan. 17 (EIRNS)—The political clash between Russia and Britain is deepening, with Russia's Federal Security Service (FSB) interviewing the Russian employees of the British Council, which Russia ordered closed late last year. The Council attempted to reopen its regional offices in the New Year. British Foreign Secretary David Miliband responded today that "any intimidation or harassment of officials is obviously completely unacceptable," and called the Russian actions "reprehensible" and "not worthy of a great country." Britain's Foreign Office said Russia's ambassador to London was summoned for talks.

The FSB on Jan. 15 said it acted to "protect Russian citizens from possibly being drawn into the Britons' provocative games as tools." Also on Jan. 15, St. Petersburg police stopped Stephen Kinnock, one of the British Council's directors and son of Lord Kinnock, former leader of the Labour Party, for violating a traffic sign. He refused to take an alcohol test, and yesterday was being interviewed by police. Kinnock was the person who reopened the office in St. Petersburg on Jan. 14. Miliband in London said, "We've heard very serious reports of intimidation and harassment of British Council officials. Obviously we take that very seriously indeed."

Primakov Warns of Foreign-Backed Threats to Russia

Jan. 19 (EIRNS)—Senior Russian figure Yevgeni Primakov, in a speech given Jan. 14 in his capacity of president of the Russian Chamber of Commerce and Industry, delivered a startling warning against the potential destabilization of Russia by Russian "pseudo-liberal oligarchs," with backing from abroad.

Primakov reviewed the shifts accomplished under outgoing President Putin's leadership, which brought the Russian economy back to life after the devastation of its looting by neo-liberal policies during the 1990s. Most important, he said, have been the beginnings of a shift to manufacturing, and the enunciation of an "industrial policy" for the first time, in 2007. None of these processes has gone far enough or been consolidated yet, Primakov warned.

The former prime minister urged his audience to take seriously Putin's appeals to "protect the course that Russia has taken." The danger, he said, comes from "pseudo-liberals who have gotten close to the oligarchs," and who enjoy support from "sponsors outside Russia." Not all businessmen are "oligarchs," Primakov said, emphasizing that he means the group that seized control over parts of the government "as a result of the predatory conditions of privatization" in the 1990s. "Today," he added, "the tendency for power to move into the hands of the oligarchs has been suppressed. But that does not mean that the pseudo-liberals, who enjoy the support of external forces hostile to Russia, have abandoned the desire to bring the country back to the times of their rule in the 1990s."

Describing a second danger, Primakov became the latest Russian figure to allude to behind-the-scenes clan warfare, going on in connection with the Russian Presidential succession. He said that there is a danger from "a part of the state apparatus, which is attempting to secure its activity not by democratic means, but by the creation of a command-market system. These state servants become interwoven with business, and lobby for the interests of various groups; this part of the apparatus is a breeding ground for corruption, which is becoming epidemic in Russia."

Primakov continues to be active on behalf of Russian diplomacy and foreign policy concerns. Yesterday, he was received by U.S. President George W. Bush, together with Henry Kissinger and other members of the Kissinger-Primakov group "America and Russia: A Look to the Future," founded in the Spring of 2007.

Putin Offers Europe Pipeline Instead of Kosovo Showdown

Jan. 19 (EIRNS)—President Putin called "illegal and immoral" the threatened unilateral declaration of independence by Kosovo, including support coming from the international community, European newspapers reported today. Putin also said

that Russia will not support such a decision, during a press conference held yesterday in Sofia, Bulgaria, where he and First Deputy Prime Minister Dmitri Medvedev, the chairman of Gazprom, were finalizing an important natural gas deal and pipeline deal.

The agreement will allow Russia to send natural gas directly to Europe via Bulgaria, through the planned South Stream pipeline, bypassing Turkey and in direct competition with another pipeline project: Nabucco. The South Stream pipeline is a joint venture between Gazprom and Eni, while the Nabucco project is led a consortium of European companies with aggressive support by the United States and the European Commission.

Southwest Asia News Digest

No Peace Without Damascus!

Jan. 21 (EIRNS)—Under the headline "No Peace Without Damascus," French-Polish writer Marek Halter authored a commentary in the Jan. 21 issue of the Israeli daily *Ha'aretz*, calling for an Israeli-Syrian peace deal as crucial for peace in the region.

Halter, who is Jewish, wrote, "Peace in the Middle East will only happen with the involvement of Damascus.... I have been convinced of this since my first visit to Syria under the regime of Bashar Assad...." He adds, "It seems obvious that peace can only be reached through negotiating with one's enemies. Unfortunately, this common-sense statement is not shared by all...."

"I believe Syria is now ready for peace," Halter wrote, pointing to Syria's presence at the Annapolis conference in November 2007. "The presence of the Syrian deputy foreign minister side-by-side with Israeli and Saudi Arabian delegates, the sworn enemies of its Iranian ally, at the Annapolis conference, is an important sign. It is a mistake for the West to continue to isolate Syria, a country with extensive borders with Israel, Turkey, Lebanon, and Jordan, particularly at a time when the United States is wallowing in the Iraqi quagmire and struggling to find a peace agreement between Israel and Palestine acceptable to both sides."

Continuation of the policy of isolating Syria could "provoke the disappearance of Lebanon as a state, and lead to a war between Syria and Israel in the not too distant future." Halter also made the point that Syria has the strongest secular tradition in a region which is drifting towards religious states, saying, "The Syrians value their secular society. Even the Syrian Grand Mufti, Ahmad Badr Al-Din Hassoun, prides himself on his secularity."

Halter wrote that Assad has made his commitment to have peace with Israel during an address delivered before the leaders of the Ba'ath party, but it was ignored by the Western media, and the Israeli press.

"We want to resume negotiations," Halter reported Assad a having said. "The Israelis must realize that lasting peace is preferable to any other form of temporary solution." Assad went on to say that if it was not possible to publicly discuss the issue of "the return of Syrian land in exchange for peace," then at least "they should do as Yitzhak Rabin did, and state his position clearly in a letter of engagement."

This referred to a written promise by Rabin to withdraw from the Golan Heights in exchange for a comprehensive peace, Halter wrote. Although the exact contents of this letter remain unknown, it included the proposal that the Golan Heights were to be repossessed by the Syrians over a period of ten years. But Rabin's assassination and the death of Assad's father, led to the burying of the initiative.

Halter writes again that, "Peace in the Middle East is inconceivable without Syria, not because Syria is a great power within the Arab world, but because its national pride must be taken into account. Its nuisance power must also not be underestimated.... Should Israel agree to negotiate with Syria, it would weaken all terrorist groups who have their headquarters in Damascus, including Hamas. In the present situation, only a strong government, such as Bashar Assad's, can take that first step toward peace with Israel, without fear of creating havoc in the streets of the Arab world."

Iran Urges Nuclear Case Be Handled by IAEA, Not UNSC

Jan. 13 (EIRNS)—Iranian Supreme Leader Ayatollah Ali Khamenei told visiting International Atomic Energy Agency chief Mohamed ElBaradei during their meeting yesterday, along with President Mahmoud Ahmedinejad, that Iran's nuclear case should be handled by the IAEA and not by the United Nations Security Council. "There is no justification for Iran's case to remain at the UNSC," Khamenei is quoted as saying. Reuters reported that the IAEA today said that Iran had agreed to answer the remaining questions about its secret nuclear work, within a month, in high-level meetings in Tehran. Lyndon LaRouche commented that this is consistent with previous reports, that the Iranian leadership does not want to go too far on agreement with the U.S., striking a balance between getting into a war, on the one hand, and exercising restraint on dealing with the U.S. on the other hand.

No Agreement on Iran Sanctions

Jan. 20 (EIRNS)—A spokesman for the U.S. State Department has admitted the Permanent Five members of the UN Security Council plus Germany are nowhere close to an agreement on new sanctions against Iran, on the eve of scheduled talks in Berlin this coming week. Russia and China have hardened their opposition to new sanctions, citing the recent U.S. National Intelligence Estimate (NIE) on Iran's nuclear program, in arguing against new action. The State Department has downgraded the Berlin meeting to a "brainstorming session."

Al-Sadr Threatens To End Shi'ite Ceasefire in Iraq

Jan. 18 (EIRNS)—In another move toward the disintegration of Iraq, Shi'ite cleric Moqtada al-Sadr issued a statement on Jan. 18, warning the Iraqi government and U.S. occupation forces, that he may end the freeze on the activities of his Mahdi Army militia. That freeze has been one of the factors credited with substantially reducing violence in the country.

"The decision to suspend the Mahdi Army's activities has not been rewarded with good results," al-Sadr spokesman Sheikh Salah al-Obeidi said, according to Agence France Presse, "because the government is still counting criminal gangs inside their security system." Obeidi added that senior security officials remain in their jobs despite arrest warrants issued against them for human rights abuses, according to Associated Press. Obeidi did not elaborate on whom he was referring to, but thousands of Sunnis who used to be insurgents are also being brought into the security forces, and are being paid by the U.S. military as "concerned local citizens" to provide security in local neighborhoods—much to the chagrin of some Shi'ites, especially in the government in Baghdad.

Pianist Barenboim Adopts Palestinian Citizenship

Jan. 14 (EIRNS)—Israeli pianist and conductor Daniel Barenboim has adopted Palestinian citizenship, hoping that he can serve as a model for peace between the two peoples:

"It is a great honor to be offered a passport," he is quoted as saying in the Jan. 14 *Ha'aretz*, after giving a piano recital in the West Bank city of Ramallah, where he has been active in bringing Israeli and Palestinian musicians together. "I have accepted it because I believe that the destinies of ... the Israeli people and the Palestinian people are inextricably linked.

We are blessed. Or cursed. To live with each other. And I prefer the first. The fact that an Israeli citizen can be awarded a Palestinian passport can be a sign that it is actually possible." Commenting on President Bush's call for the end of the occupation during his visit to Israel, Barenboim said, "Now even not very intelligent people are saying that the occupation has to be stopped."

Barenboim has offered music in the service of seeking peace between Israel and the Palestinians, and has been a target of the wrath of the Israeli extremists. For almost a decade he has led a Palestinian-Israeli orchestra comprised of young musicians, and has held master classes for Palestinian music students.

Asia News Digest

Food Inflation, Shortages in Asia Trigger Demonstrations

Jan. 16 (EIRNS)—Dramatic food price spikes and shortages are driving demonstrations and emergency measures across Asia, triggered by the money-pumping operations of the U.S. and European central banks trying to stave off a banking collapse.

The U.S. Federal Reserve and European Central Bank money-pumping began at the beginning of August 2007, hitting \$550 billion in the second week of December. As that occurred, there was a leap of 55% in the prices of a major index of agricultural products, in just four months. Asia, with the world's greatest proportion of malnourished people, is facing disaster. Some cases:

Indonesia: On Jan. 14-15, there were demonstrations of 10,000 in Jakarta protesting a 90% increase in the price of soybeans; the government is trying emergency measures to increase local production, but the head of the national farmers' union says he expects the "social situation with soybeans" to get worse.

Pakistan: There were demonstrations in Pakistani cities this week because of wheat shortages: Very high prices are causing wheat needed in Pakistan to be exported to Afghanistan instead.

China: Price controls have been imposed on grain, edible oil, meat, milk, and eggs (as well as gasoline), Xinhua reported today. This follows the imposition of export tariffs last month to curtail food exports.

Hong Kong: Pork prices surged by 70%, following a similar pork crisis on the mainland for the past months. Pork is central to the Chinese diet.

Thailand: A price freeze was imposed on sugar, and cooking oil (from palm oil) is about to be included, as palm oil stocks collapsed by half and prices spiked. Meat price hikes of over 20% are expected, due to feed price increases of 70%, and the diversion of food to biofuel. The government is imposing a price freeze on a large list of manufactured items as well, blaming the oil price hikes.

Cambodia: A high government official told *EIR* that the food inflation rate is near 50%, causing worries of social unrest in the extremely poor nation.

These developments throw some light on the phoniness of the consumer inflation statistics issued in the United States, where government and media agencies are desperately trying to allow big Federal Reserve rate cuts, and revive stock markets, by claiming inflation is "tamed."

Philippines Moves To Stop Biofoolery, as Hunger Spreads

Jan. 16 (EIRNS)—The Philippine political elite is coming to its senses, as food hyperinflation and the mounting prevalence of hunger are forcing politicians to scrap their insane biofuel policy. Sen. Miriam Defensor-Santiago, the author of the Biofuels Act of 2007, said Jan. 14: "Biofuel is land-based and will eventually compete with food. Because the Philippines has a small land area, biofuel production will tend to encroach on food production. Corporations are already searching for millions of hectares for jatropha alone. We have to step on the brakes and decelerate."

Rep. Roilo Golez called on the House to open an inquiry into the impact of the biofuel program, saying: "There seems to be a mad rush to develop biofuels. A lot of resources are being committed, including millions of hectares of land and billions of pesos, on something that is now being debated."

China Refutes 'Conjecture' of Bailout of Citigroup

Jan. 16 (EIRNS)—The official *People's Daily* of China today reported that the extensive speculation that the China Investment Corp (CIC), the Chinese sovereign fund investing some Chinese reserves, would pump billions into Citigroup, was a mere "conjecture," and that there are "no plans" for such a bailout. The paper quotes insiders at the fund saying, "Many have come to CIC hoping to get our investment."

Showing the intense debate over the financial crisis, the article quotes "experts" saying that the CIC must "select its investment targets cautiously, especially since US financial institutions have been hit hard by the sub-prime mortgage crisis." Others, they report, "considered it a good opportunity for CIC to invest at reasonable prices in overseas markets as international finance institutions, affected by the sub-prime crisis, were in dire need of capital to fill up their fund gaps and to expand business." The CIC has already dumped \$5 billion into Morgan Stanley and \$3 billion into Blackstone, which has dropped in value by over \$1 billion.

India: The Thorium Cycle and Nuclear Apartheid

Jan. 15 (EIRNS)—During the trip of Indian Prime Minister Manmohan Singh to Beijing Jan. 14-16, cooperation in civilian nuclear energy was recognized as a key ingredient to economic growth in the region, which is home to one-third of the world's people. For India, this hinges on the development of technologies that make use of India's vast reserves of thorium, as an indigenous nuclear fuel.

Because thorium would make India self-sufficient in energy, thorium nuclear development has been a hate object of Al "Let Them Eat Biofuels" Gore, and the anti-population, non-proliferation mafia. India has a three-stage program to enable it to end its dependence upon imported enriched uranium, and instead fuel its civilian nuclear reactors with thorium. Although thorium is not fissile (does not fission on its own), it is fertile, meaning, when bombarded by neutrons from plutonium, it transmutes to fissile uranium-233, an excellent nuclear fuel. The lack of an adequate amount of available plutonium has slowed the pace of India's thorium R&D program. During Singh's visit to Beijing, it was suggested by one analyst that China provide India with some of its excess plutonium, for India's thorium program.

Russia also has an active thorium R&D program. With plenty of plutonium available, spent nuclear fuel from power plants, and dismantled nuclear warheads, Russia plans to move from dependence upon relatively rare fissile uranium, to more plentiful natural uranium and thorium, by the middle of this century. Beginning last Summer, in a joint program, Russia's Kurchatov Institute began testing designs for thorium fuel assemblies, fabricated by Thorium Power, Ltd., in McLean, Virginia.

The roadblock to what should be a cooperative India-China-Russia-U.S. thorium development program, is the "Henry Hyde United States-India Peaceful Atomic Energy Cooperation Act," signed into law by President Bush on Dec. 18, 2006. To gain access to U.S. and international nuclear technology and enriched uranium fuel, India is supposed to give up its right to reprocess spent fuel and separate out the plutonium, as a show of support for the nuclear nonproliferation regime. That would cripple India's thorium program.

Tokyo Mayor Lashes Out at Both China and U.S.

Jan. 16 (EIRNS)—Tokyo Mayor Shintaro Ishihara said on Jan. 9 that the United States and China will form stronger ties and leave Japan behind, because of the two countries' "money worship."

"The U.S. will gravitate more and more toward China at the expense of Japan as it seeks short-term benefit," Ishihara, 75, said in an interview with Bloomberg television. The "American and Chinese people share a similar value for just money, money, money."

Lyndon LaRouche, in an interview given to the Chinese press in August 2007, characterized Ishihara as someone who "want[s Japan] to be an imperial power, allied with Britain, to feel like a Great Power."

Ishihara reiterated his view that Japan should scrap its security treaty with the U.S. and strengthen its military.

Growing ties between China and the U.S. are a "very dangerous thing," Ishihara said.

U.S. Commander Keating Builds Military Ties With China

Jan. 17 (EIRNS)—Adm. Timothy Keating, commander of the U.S. Pacific Command, told journalists that his just-concluded trip to China had strengthened military relations between the U.S. and China, easing tensions after China had refused to approve a scheduled November visit to Hong Kong by the *USS Kitty Hawk*, and denied entry to two U.S. minesweepers caught in poor weather.

"A singular important reason for my visit to Beijing was to see appropriate-level officials," said Keating, "so as to develop the trust, understanding, to look them in the eye, and to get a phone number, so if something comes up that requires some background, some explanation, or is of a time-critical nature, I can make a phone call and have someone on the other end take a phone call. I don't know for a fact that will happen; I am much more confident today than I was before my first visit in May."

U.S. Deputy Secretary of State John Negroponte is in China for the semiannual U.S.-China Strategic Dialogue, as is Saeed Jalili, Iran's top nuclear negotiator. It was reported that Chinese Foreign Minister Yang Jiechi met with the two high officials, separately, but it may be that private U.S./Iranian discussions are taking place under Chinese auspices. British Prime Minister Gordon Brown is also in Beijing, officially on a totally different track.

Africa News Digest

Niger and Areva Bury the Hatchet, Reach Mining Agreement

PARIS, Jan. 14 (EIRNS)—After a war of nerves which lasted eight months, the Niger government finally obtained a very

good deal for selling uranium to the French nuclear company Areva. Areva CEO Anne Lauvergeon and Niger President Mamadou Tandja yesterday announced that the price of uranium will be increased by 50% in 2008 and 2009, and Areva will launch exploitation of the mammoth deposits in Imouraren, where it plans to invest more than 1 billion euros. According to Areva, Imouraren is "the greatest industrial mining project ever to be envisaged in Niger, putting it in the second rank worldwide with production of 5,000 tons" of uranium per year, with "1,400 permanent employees and numerous indirect jobs created." Furthermore, Niger will be allowed to market more than the 300 tons permitted in 2007.

France has had a monopoly on Niger's uranium for nearly 30 years, mining up to 40% of its own uranium needs there. Reinforced by the presence of China and Canada as competitors, Niger, a former French colony which is one of the poorest countries in the world, stood up for its rights to use its resources for development in the recent negotiations, and extracted the much better contract from Areva. For nearly 30 years, France paid a single yearly sum to Niger for uranium, regardless of specific market conditions, and without revealing to the Niger government how many tons of uranium were extracted! The Niger government was also not allowed to market any of its uranium on its own, for alleged French security reasons.

Whenever Niger authorities demanded improved conditions, differences were "settled" through coups d'état and sometimes even the death of those making the demands. When it came time last year to renew these longstanding contracts, Niger opened up negotiations, this time playing hardball. They went as far as denouncing the role of Areva in the Touareg rebellion, which has been destabilizing the northern part of the country since February 2007, jailed several French journalists accused of working for the rebellion, and kicked out Dominique Pin, the CEO of Areva in Niger. On Oct. 26, during Niger's fight with Areva, *Nouvelle Solidarité*, newspaper of the LaRouche co-thinker organization in France, published the entire story on Niger's fight in an interview with Niger éminence grise, Ibrahim Loutou. *Nouvelle Solidarité* also called for France to help Niger to replenish the waters of Lake Chad as part of an overall deal.

South Africa Seeks Bids for New Nuclear Power Station

Jan. 14 (EIRNS)—South Africa has asked for bids to be submitted for a proposed new nuclear power reactor, the *Cape Times* reported on its website today. Eskom, South Africa's state-owned electricity company, has asked Westinghouse and Areva to submit bids for its new nuclear power station. This would be the first of five or six Eskom wants to build. "We want to receive and evaluate the bids in the first quarter of this year and then report back to our board at the end of March," Tony Stott, Eskom spokesman, said. Eskom wants to start construction by 2010 and have the plant working by 2016.

The urgency to get new nuclear capacity online was underscored when Eskom had to institute "load shedding," or scheduled blackouts, for up to two and a half hours at a time, over the past two days, which continued today, and are expected to continue for the rest of this week. The utility said the reason for the rolling blackouts, is its low reserve margin, meaning that there wasn't enough reserve capacity to cover demand during routine maintenance or any technical difficulties, South Africa's *Engineering News* explained today.

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