

[return to home page](#)

**LaRouche:**  
**New Bretton Woods Must Revive Peace of Westphalia**

Lyndon LaRouche responded today to reports of a planned ``New Bretton Woods" conference of heads of state, before the end of November, by asserting that any such gathering must be based on the principles of the Peace of Westphalia, the 1648 treaty agreement that ended the Thirty Years War in Europe, and established the principle of cooperation among sovereign nation-states, around the idea of ``the benefit of the other."

At the close of a heads of state summit of the 27 members of the European Union in Brussels earlier today, French President Nicolas Sarkozy, the current president of the European Union, said that a conference to establish a ``New Bretton Woods" would take place in New York City within weeks....

**In-Depth articles from EIR, Vol. 35, No. 42**

**...Requires Adobe Reader®.**

## Feature

- **LaRouche:**  
**New Bretton Woods Must Revive Peace of Westphalia**  
Lyndon LaRouche emphasizes that a new global financial system must be based on the principles of the 1648 Peace of Westphalia, which established the principle of cooperation among sovereign nation-states, around the idea of 'the benefit of the other.'
  - **Conference in Rhodes:**  
**For a New World Economic Order in the Tradition of the Peace of Westphalia**  
Helga Zepp-LaRouche's speech to the Sixth General Meeting of the World Public Forum Dialogue of Civilizations, in Rhodes Oct. 9-13.
    - **Dialogue of Civilizations at Rhodes:**  
**Neo-Liberal Dogma Has Failed; Now Listen to LaRouche!**  
Helga Zepp-LaRouche reports from Rhodes.
- **LaRouche Statement:**  
**U.S. Must Take Up Lavrov's Offer Now!**  
Russian Foreign Minister **Sergei Lavrov** calls for cooperation: 'Everyone needs the America of Franklin D. Roosevelt and John F. Kennedy....'
- **Europeans Look to LaRouche Allies on New Bretton Woods**

## International

- **South Korea and Russia:**

### **Eurasian Development To Counter Financial Collapse**

During South Korean **President Lee Myung-bak's** Sept. 28-30 visit to Moscow, the top agenda items were developing Eurasian infrastructure, and dealing with the international financial crisis.

- **View from Senior Russian Economist:**

### **The Crisis Leaps Across the Planet**

**Prof. Stanislav Menshikov** presents Lyndon LaRouche's forecasting record to a Russian audience, through the weekly Slovo. 'Among the few economists who look at root causes, and therefore see what others cannot see, is the American scholar Lyndon LaRouche,' he writes.

## National

- **Is British Agent Soros Still Running Obama's Campaign?**

A profile of the interface between George Soros's international networks and the Obama support apparatus. But Soros always hedges his bets, and he has tentacles in John McCain's campaign machine as well.

- **The Weatherman Case Today**

Lyndon H. LaRouche, Jr. demonstrates that Bill Ayers' attempt to cover up the significance of his role in the Weathermen terrorist operations, reveals that Ayers' form of fascist ideology today is the same as that of the Weathermen in the 1960s.

- **Documentation**

Bill Ayers' online posting of April 6, 2008, 'Episodic Notoriety—Fact and Fantasy.'

- **National News**

## Economics

- **The World's Choice:**

### **Suicide by Banker, or Return to Bretton Woods**

All the wild-eyed bailout schemes to revive the dead global financial system are the equivalent of giving junkies more of the drugs that are killing them. The real solution requires shutting down the derivatives markets, and putting the system through bankruptcy.

- **Greenspan Shrugged:**

### **LaRouche's Two-Decade Fight Against Greenspan's Derivatives Policy**

- **LYM Asks Fellow Mexicans:**

### **'Now Are You Ready To Listen to LaRouche?'**

The LaRouche Youth Movement is stepping up its campaign for a New Bretton Woods, even as Mexico's financial system goes through the floor. Remittances from workers in the United States are falling, and the government wants to unload a big chunk of its debt onto the national oil company Pemex.

- **India's Revamped Nuclear Power Generation Plan Is Inadequate**

## Departments

- **Africa Report:**

### **South Africa Hit by Ruling Party Split**

# Editorial

- [Turn the World Upside Down!](#)

## U.S. Economic/Financial News

### [Fiscal 2009 Budget Deficit Could Hit \\$1 Trillion](#)

### [U.S. Manufacturing Plunges](#)

### [NYU Prof: Revoke Nobel Prize for Stock Options Modelling](#)

### ['Hidden Homeless'](#)

#### **Fiscal 2009 Budget Deficit Could Hit \$1 Trillion**

Oct. 18 (EIRNS)—While not as big as the derivatives bubble in absolute terms, the growth of the Federal budget deficit also points in the direction of national bankruptcy if the underlying crisis is not addressed. According to a front-page story in the Oct. 18 *Washington Post*, the FY 2009 Federal deficit could hit \$1 trillion, when the effects of the economic crisis are added to the cost of the efforts to bail out the bubble. Since February, when President Bush signed the economic stimulus package into law, the government has pledged \$1.5 trillion for the various bailouts. The Treasury Department has borrowed \$500 billion and, since the end of August, the national debt has jumped from \$9.6 trillion to \$10.3 trillion.

The Bush Administration has routinely run deficits in the range of \$200 to \$400 billion, since 2001, but managed to get it down to \$162 billion in 2007. Then it jumped to \$455 billion in 2008, already one of the largest deficits in history. The '09 deficit is currently projected at \$550 billion, but when the effects of further economic collapse are added (estimated by some at about \$100 billion), plus the cost of the bailout efforts, plus whatever kind of "stimulus" package the next Congress and Administration agree on, the deficit could easily reach \$1 trillion.

#### **U.S. Manufacturing Plunges**

Oct. 16 (EIRNS)—Although manufacturing in the U.S. has actually been plunging for decades, a report issued today by the Federal Reserve reflects the acceleration of that process. According to the report, industrial production fell in September by the largest amount in almost 34 years. The 2.8% decrease in production at factories, mines, and utilities followed a revised 1% decrease in August, the Federal Reserve said on Oct. 16. For the third quarter, output fell at an annual rate of 6%, the biggest decline since 1991. The September decline in output was the biggest since December 1974.

In a separate report issued by the Philadelphia Federal Reserve on Oct. 16, it was reported that manufacturing in the Philadelphia region shrank in October at the fastest pace in almost two decades. The Federal Reserve Bank of Philadelphia general economic index plunged to minus 37.5 in October, the lowest reading since October 1990, from 3.8 in September. The index averaged 5.1 last year. The Philadelphia Fed's index of new orders slumped to minus 30.5, the lowest level since August 1980, and the shipments index decreased to minus 18.8 from 2.6. The employment index was minus 18 after being little changed in September.

On Oct. 15, the New York Fed reported its Empire index of manufacturing sank in October to the lowest level since records began in 2001.

## **NYU Prof: Revoke Nobel Prize for Stock Options Modelling**

Oct. 13 (EIRNS)—The 1997 Nobel Prize for Economics, which was awarded to the creators of a model for pricing stock options which led into the current derivatives debacle, should be revoked, says New York University Prof. Naseem Taleb.

The 1997 award went to Robert Merton and Myron Scholes, the "brains" behind the Long-Term Capital Management bubble and collapse of 1998. Taleb told National Public Radio that the Merton-Scholes option-pricing formula, also known as the "Black-Scholes" formula, which was supposed to remove the risk from financial markets, "is compatible with all these nonsensical economic theories that should be discredited."

Professor Taleb probably knows whereof he speaks: He himself runs a hedge fund.

## **'Hidden Homeless'**

Oct. 18 (EIRNS)—The U.S. Department of Housing and Urban Development's (HUD) does not recognize hundreds of thousands of the victims of mortgage foreclosures as "homeless," the National Policy and Advocacy Council on Homelessness (NPACH) told Inter Press Service this week. The HUD definition of homelessness "does not include children and families who have lost their homes but are temporarily staying in motels or with other people because other shelter is not available or appropriate," the NPACH reported in a recent document. Despite the homeless disaster, the U.S. government has not counted the numbers since 2005, National Coalition for the Homeless (NCFTH) head Michael Stoops told IPS. Even back then, he said, the government admitted that "44% of the nation's homeless are unsheltered."

Tent cities have sprung up in or near Reno, Los Angeles, Chattanooga, Columbus, St. Petersburg, Seattle, and Portland, Stoops told IPS. They began to grow four years ago, and now 60% of local and state homeless coalitions report steady growth of homelessness since the foreclosures became critical in 2007. Disasters such as hurricanes have added to homelessness.

Jeremy Rosen, head of NPACH, said that some 600,000 children and youth are among the "hidden homeless," members of families who lost homes due to foreclosures or family crisis, but not recognized by HUD since they move around in temporary shelters. "They become the 'hidden homeless', moving around from place to place—sleeping in cars, on couches, sometimes in shelters, sometimes with friends and sometimes with family. Unfortunately, our country chooses to deny this reality and doesn't define many of these people as homeless," Rosen told IPS. "More than 60% of the homeless students identified by public schools are ineligible for HUD Homeless Assistance," the NPACH's report states.

Stoops reported that a "month ago, over 900,000 homes were foreclosed and some of the people concerned will wind up homeless." Laid-off Wall St. bankers could soon be joining their ranks, he noted.

## **Global Economic News**

**[Italian Daily Broaches Hyperinflation](#)**

**[Derivatives Bubble Is Swallowing the Nation-State](#)**

## Italian Daily Broaches Hyperinflation

Oct. 15 (EIRNS)—"Hyperinflation" as a real threat was mentioned on Oct. 15 in a commentary in the Italian daily *Il Giornale*. "Most of us are not realizing the dimensions of the ongoing disaster, Claudio Borghi writes. "We are in a debt-based economy, and if confidence were to ultimately collapse and nobody gave out money any longer, it would be a slaughter: the existing debt could neither be rolled over, nor paid, with chain-reaction failures, zero mortgages, zero savings, and risk of hyperinflation with money equivalent to scrap paper, like Germany in the '20s."

## Derivatives Bubble Is Swallowing the Nation-State

Oct. 15 (EIRNS)—The combined financial bailout measures announced over the past 48 hours by the G7 governments—on marching orders dictated by British Prime Minister Gordon Brown and his financial advisor Alan Greenspan—amount to placing "the full faith and credit" of each and every one of these governments behind the economic cancer known as the derivatives bubble. In other words, the British gameplan is for the derivatives bubble to gobble up the nation-state, leaving only the Anglo-Dutch financial empire to rule the globe. That is what is now proceeding, with some \$3 trillion in government monies already thrown into the inferno.

The recent announcements involved more than throwing hundreds of billions of dollars directly into the banks as fresh capital. ("The new capital injections should help," the London *Economist* noted happily on Oct. 15. "In theory \$250 billion of new capital leveraged by ten-to-one could support \$2.5 trillion of assets in the banking system.") The other steps included:

\* *Unlimited* 100% guarantees by the Fed, the European Central Bank, and the Bank of England for the interbank lending market.

\* *Unlimited* dollar swaps supplied by the Fed to all the central banks of Europe and Japan, which has translated into each of them also issuing *unlimited* dollar loans to banking institutions.

\* FDIC 100% insurance of payroll and similar corporate checking accounts.

\* Fed direct purchases of unsecured commercial paper, in amounts and terms yet to be announced.

## United States News Digest

[Bankrupt Massachusetts Slashes Services](#)

[LaRouche Enemy John Train Endorses Paulson Fraud](#)

[Law School Dean: Bailout Unconstitutional](#)

[Buffalo City Council Passes HBPA, Demanding Congress Act](#)

[Hillary Clinton Attacks White House Bailout](#)

## **Bankrupt Massachusetts Slashes Services**

Oct. 16 (EIRNS)—Massachusetts Gov. Duval Patrick (D) on Oct. 14 previewed his plans to cut the budget, due to a \$1.5 billion revenue shortfall, warning that "people will feel this in their services. This is not about cutting so-called fat. This is going to cut muscle, because the scale of the issue requires that." The next day, 1,000 state jobs and nearly \$1 billion in spending were axed, hitting state universities and community colleges, health insurance programs, and dozens of social service programs.

The Massachusetts story is not unique. Nearly all states in the Union face the same shortfalls and deficits, and thus far, state leaders are responding just like Massachusetts officials.

## **LaRouche Enemy John Train Endorses Paulson Fraud**

Oct. 16 (EIRNS)—John Train, who played a major role in railroading Lyndon LaRouche into prison in 1989, has endorsed the bailout measures of Treasury Secretary Hank Paulson, saying in a new posting on his website, that Bernanke and Paulson are doing an "excellent job." He also speaks for Anglo-Dutch designs against the U.S.: "Incidentally, both Europe and the Far Eastern institutions bitterly resent having been stuffed with unsound paper by U.S. institutions." Under his eclectic list of proposed solutions—including, derivatives yes, but transparent, leveraging yes, but also transparent—he also shows true oligarchical stoicism while marching into the abyss: "Print money. Some argue that pushing out money will not avert a slowdown: 'pushing on a string,' one says. Not so. It is happening now and does work, but is of course inflationary." And for the oligarchy to survive, he brings in family history: "J.P. Morgan (with my grandfather) would summon the heads of the major institutions to his library and confine them there until they decided what banks should be abandoned and which they would save. 'The rot stops here,' he would say, pointing, halting the falling dominoes."

## **Law School Dean: Bailout Unconstitutional**

Oct. 15 (EIRNS)—Today's *Wall Street Journal* quotes the dean of a West Coast law school as calling the Treasury Department's bank bailout unconstitutional, on the grounds that it violates the U.S. Constitution. Dr. John Eastman, dean of the Chapman University Law School in Orange, Calif., cites the power of Congress to tax and spend for the "general welfare" as specified in Art. I, Sec. 8, but says that pouring money into banks is using tax funds to prop up a particular industry, and therefore is not a "national purpose" as the Framers of the Constitution understood the general welfare.

Eastman argues that a second ground on which the bailout is unconstitutional, is that it gives to the Secretary of the Treasury and the Federal Reserve the power to spend funds as they see fit—a power which is granted only to the Congress.

## **Buffalo City Council Passes HBPA, Demanding Congress Act**

Oct. 15 (EIRNS)—The Buffalo, New York, city council (called the Common Council) took action in September to pass a version of the LaRouche-initiated Homeowner and Bank Protection Act (HBPA). The Act had been submitted for action in November 2007, and lay dormant until this Fall, when the crisis apparently motivated the council to act. The resolution, which passed unanimously, calls on Congress to pass an HBPA which would establish a Federal agency to place Federal and State chartered banks under protection; declare a moratorium on all home foreclosures while the mortgage system is restructured and speculative obligations are written off; and authorize governors of the states to assume the administrative responsibilities for implementing the program.

Over 100 local jurisdictions have passed the HBPA since the Fall of 2007, demanding that Congress protect the banks, and freeze foreclosures nationally. Had Congress heeded its constituents, and passed LaRouche's proposal, the current banking

melt-down, and foreclosure crisis, would not be occurring.

Buffalo is the third major rust-belt city to pass the HBPA, joining Detroit and St. Louis. Buffalo also passed the LaRouche-sponsored Emergency Recovery Act resolution several years ago, which, if implemented, would address the issue of industrial collapse and job creation in the auto and related manufacturing industries central to the rust-belt corridor. In a LaRouche-directed recovery, Buffalo, which is well-positioned to become a center of job creation in the rail and power industries, would play a vital role.

## **Hillary Clinton Attacks White House Bailout**

Oct. 13 (EIRNS)—At a campaign rally yesterday in Scranton, Pa., with Democratic Vice Presidential candidate Joe Biden and former President Bill Clinton, Sen. Hillary Clinton repeated her primary campaign emphasis on Americans in the lower 80% of income brackets, and how they are being crushed by the financial collapse. Senator Clinton stated:

"We are in a financial crisis in America. And it is a crisis born and bred by failed Republican policies championed by George Bush, John McCain, and the Washington Republicans.

"You know what they have said and done—gut regulations, cut taxes for corporations and billionaires. When you try to talk about the home mortgage crisis, which I did throughout my campaign, they sort of shrug and say 'what home mortgage crisis?' For two years, I and others have said that people are losing their houses. They have been victimized by predatory lending. Families can't pay their mortgage bills. And that this mortgage crisis would mushroom out of control and become a full-blown economic crisis.

"But to President Bush and John McCain, middle class families sinking into debt are invisible. We can help Americans losing their houses. But we can only do it if we make sure the Republicans lose the White House come November. Now when this crisis finally hit Wall Street and big financial firms came calling, well suddenly, oh my goodness, President Bush and John McCain and the Republican base snapped to attention. A big bank is going to fail; well, bail it out. A big financial firm is going to fail; well, bail it out. A big insurance company is going to fail; why, bail it out.

"What about the millions of people losing their homes and their jobs every single day? Where is their bailout? If stocks continue to plummet, homeowners fall further and further into default and many face foreclosures. People are afraid to open up their 401(k) statement, aren't they? Retirees' nest eggs are starting to crack. Businesses can't find credit. Students can't find college loans. The global credit crisis is shaking the foundation of the 21st-Century economy.

"And in this election, failure is not an option. We must commit ourselves to making sure we elect leaders who will put people first, remember who built this country, who sacrificed and made us what we are today."

## **Ibero-American News Digest**

**[Reality of Global Breakdown Begins to Hit Home](#)**

**[IMF Backs Mexican Plan To Hand Over Pemex](#)**

**[Brazil Learns 'It's the Derivatives, Stupid!'](#)**

## [The Biofuels Bubble Is Also Bursting!](#)

## [Malnutrition in Region Highest in Decades](#)

## [Soros Launches Attack on Colombian President](#)

## [Argentine Minister Rams Through Soros Drug Plan](#)

### **Reality of Global Breakdown Begins to Hit Home**

Oct. 15 (EIRNS)—A gathering of 20-30 government and other economists from 17 countries—Venezuela, Ecuador, China, South Korea, and others—met in Caracas, Venezuela Oct. 8-11, and issued an alarmed, dramatic call to defend their nations from the global financial meltdown with emergency measures, and by "helping to build a new international financial architecture."

"A most violent financial shock is to be expected in the very short term," they warned, despite "the initial expectation that Latin America might not be hit by the crisis and that it was protected." It is now clear that "an enormously serious international crisis ... can overwhelmingly punish the peoples of the world, especially the most unprotected and left-behind sectors."

Among the featured speakers were Venezuela's Foreign Minister Nicolás Maduro, and Ecuador's Minister for Economic Policy Coordination Pedro Páez, who on Oct. 6 engaged in a dialogue with U.S. statesman Lyndon LaRouche, on Ecuadorian radio.

Although falling into many of the familiar ideological traps of Third World radical nationalists—e.g., not distinguishing between Britain and the U.S., and calling for regional common currencies—the document does call for governments to "adopt measures that guarantee the welfare and the rights of our people ... and not come to the rescue of the bankers who are responsible for the crisis, as is occurring in Europe and the U.S."

Among the measures they call for are:

\* Governments must take over their national banking systems, and shut down all off-shore bank branches.

\* "Prevent capital flight" with "immediate exchange controls" and control over capital movements.

\* "Consider the suspension of payment of the public debt."

\* Take emergency measures to insure "food and energy sovereignty," and defend migrant populations being expelled by other countries.

### **IMF Backs Mexican Plan To Hand Over Pemex**

Oct. 11 (EIRNS)—IMF officials today endorsed Mexican President Felipe Calderón's slavish proposal of Oct. 8 to address the country's life-and-death economic crisis by saddling the state oil company Pemex with the government's off-balance-sheet "Pidiregas" debt of \$176 billion, and then turning Pemex into a PPP. Anoop Singh, director of the IMF's Western

Hemisphere Department, also held up Calderón's included announcement that Mexico would use its foreign exchange reserves to immediately pay off chunks of the Pidiregas debt, as an example for others. "Countries have high foreign exchange reserves, and it's natural that they should now start using them," Singh insisted.

Singh did not address the fact that the Mexican government, over the last 72 hours, already burned through 11% of its \$84 billion in foreign exchange reserves, in a failed attempt to stop the free fall of the Mexican peso, which plunged 17% in one week. Among the panic purchasers of dollars were a handful of major Mexican companies which were reportedly caught with enormous derivatives exposures that they couldn't cover. The retail giant Comercial Mexicana filed for bankruptcy on Oct. 8, after admitting to \$2 billion in derivatives debts that it could not pay.

### **Brazil Learns 'It's the Derivatives, Stupid!'**

Oct. 16 (EIRNS)—Two hundred Brazilian companies suffered as much as \$28 billion in losses in currency derivatives markets this week. Against the backdrop of the crashing Bovespa stock index, which dropped 11% on Oct. 15 alone, some of Brazil's most prominent companies are announcing huge third-quarter losses on derivative contracts, and several are expected to go bankrupt.

So much for President Lula da Silva's assertion that there was no such thing as a "casino economy" in Brazil.

### **The Biofuels Bubble Is Also Bursting!**

Oct. 14 (EIRNS)—Maximiliano Londoño, president of the Lyndon LaRouche Association in Colombia, was as a speaker at a conference on biofuels organized by the magazine *Virtual-Pro*, reminding the audience that last year he had warned them that biofuels were a bubble that would disintegrate, just like the financial system is disintegrating today.

Last year almost everyone was infatuated with biofuels. Not so this year.

President Álvaro Uribe's representative on biofuels, Arturo Infante, who spoke after Londoño, noted that the government could not continue to subsidize biofuels indefinitely, and acknowledged that the whole biofuels scam is not financially viable [also scientifically absurd—ed.]. Operating a 100-ton biodiesel plant requires \$25 million, and the crops necessary to feed the plant cost \$100 million, on top of the costs of the land and labor. If the price of oil falls below \$50 a barrel, he said, it would not be competitive to produce a barrel of palm oil, which currently costs \$46-47.

### **Malnutrition in Region Highest in Decades**

Oct. 16 (EIRNS)—Today, World Food Day, José Graziano of the UN's Food and Agriculture Organization (FAO) for Latin America and the Caribbean reported that 51 million Ibero-Americans are officially classified as "malnourished," an increase of 6 million over the 2003 figure. Graziano blamed high food and fuel prices for the increase, noting that the last time Ibero-America had 51 million malnourished people was in 1990. And, he added, the current global financial crisis will undoubtedly make it worse.

### **Soros Launches Attack on Colombian President**

Oct. 17 (EIRNS)—George Soros's hit-squad yesterday issued a broadside against Colombia's Álvaro Uribe, the one Ibero-American President who is insisting that legalized "personal" drug consumption must be reversed, because it is a cover for increasing drug mob activities. Soros's Human Rights Watch/Americas held a press conference in New York City to release a report alleging that Uribe is covering up links between his administration and the paramilitaries. BBC-TV played

up the report for all it is worth.

Soros's attack on Uribe occurs in the context of the Nazi-trained speculator's drive to induce the Ibero-American nations to adopt the same legalized drug consumption policies which have turned major European cities into drug havens. Soros founded the Latin American Commission on Drugs and Democracy, headed by former Presidents of Brazil, Colombia and Mexico, in April 2008, to lead that drive.

The Commission held its second meeting in Bogota on Sept. 4-5, closeting itself behind closed doors with Soros's personal drug lobby strategist, Ethan Nadelmann. Within weeks, governments fell in line. On Oct. 1, Mexican President Felipe Calderón sent legislation to Congress, to legalize "personal doses" of narcotics of all types (cocaine, heroin, and the synthetic killers). On Oct. 13, Honduran President Manuel Zelaya capitulated, too, telling a regional meeting of top anti-narcotics officials, that consumption of "chemical, synthetic, and natural" drugs should be legalized, and abusers "educated" on lowering their use. If Argentina's Justice Minister has his way, Argentina will follow.

Uribe, however, refuses to buckle on this, pointing out that the legalization of "personal doses" has increased drug consumption and provided impunity for the traffickers.

### **Argentine Minister Rams Through Soros Drug Plan**

Oct. 17 (EIRNS)—In his keynote to the First National Conference on Public Drug Policy held in Buenos Aires on Oct. 9, Argentine Justice Minister Anibal Fernández insisted that it was urgent to legalize drugs for personal consumption, especially among youth.

With the immoral irrationality typifying his Boomer generation, Fernández argued that drug consumption for personal use is part of the "second generation of human rights." Between 70% and 75% of drug consumption in Argentina is recreational, he said, and kids will be kids. He demanded that Argentina follow the Europeans in permitting special "coffee shops," or dens where drugs can be legally consumed.

Also participating in the conference were the ministers of health, education, labor, social development, and foreign policy, most of whom echoed Fernández's "harm reduction" theme. While endorsing the policy in general terms, Argentine President Cristina Fernández de Kirchner is reported to be under enormous pressure from the Soros crowd to back the policy more aggressively.

## **Western European News Digest**

**[Sarkozy To Bush: New Bretton Woods Needed Now](#)**

**['The Channel Keeps Separating Two Worlds'](#)**

**[Der Spiegel Evokes 1931: Compares Bailout to Schacht](#)**

**[Bailout Fallout: Brutal Austerity, Unemployment](#)**

**[OECD Issues Damning Report on BAE Corruption](#)**

## **Sarkozy To Bush: New Bretton Woods Needed Now**

PARIS, Oct. 18 (EIRNS)—French President Nicolas Sarkozy wants a Bretton Woods agreement before the end of November, headlines an article in the daily *Le Figaro*. Yesterday, the paper reported that when leaving Brussels, Sarkozy said he had the unanimous support of all the European partners to launch a New Bretton Woods.

Today, Sarkozy will arrive at Camp David. Sarkozy and EU Commissioner Manuel Barroso will be received for only one hour by President George Bush, followed by a social dinner with First Lady Laura Bush. Before leaving, Sarkozy told the Canadian paper *La Presse*, that we cannot go on managing the world economy of the 21st Century with the instruments of the economy of the 20th Century.

Sarkozy proposed that a New Bretton Woods conference take place Nov. 21-23 in New York. According to *La Presse*, Sarkozy pressured Bush to face the issue, and insisted on the inclusion of emerging nations such as China, India, and also an Arab country.

## **'The Channel Keeps Separating Two Worlds'**

Oct. 17 (EIRNS)—Italian and French press reports indicate that there are at least two different approaches to the "New Bretton Woods" now pushed by the European Council: one by Britain, and the other by France/Italy. For instance, the daily *Il Foglio* reports today that "France and Italy could build the hard core of a European upswing plan, with the strengthening of the state over the market." But others are against this. "Gordon Brown, according to accounts by British diplomats given to us, has insisted on 'erasing' from the conclusions of the European Council any reference to the need to react to the collapse of demand, and to the contraction of investments. The British Premier was much more prudent than other leaders, in saying that hedge funds and the USA are responsible for the stock market troubles.... Brown sees the state as the 'last resort' to save the system, and his new Bretton Woods aims at the Bretton Woods that Sarkozy will present tomorrow in Washington to US president George W. Bush [and] is instead aimed at 're-founding capitalism.' Between state and market, the Channel keeps separating two worlds."

In another indication of the split between London and the French-Italian axis, the *Financial Times* yesterday published an attack on Italian Finance Minister Giulio Tremonti's proposal to shut down hedge funds. The *Times'* Lex column, entitled, "The Italian Locust," worries that "Tremonti wants to abolish hedge funds. All of them. Everywhere. The Italian Treasury minister has declared that hedge funds are 'absolutely crazy bodies which have nothing to do with capitalism.' [Actually, Tremonti used the word "demented"—ed.] He has warned that when Italy takes over the presidency of the G8 from Japan in January, it will put the utter destruction of this 'hellish \$2,000 Bn industry' on the agenda."

## **Der Spiegel Evokes 1931: Compares Bailout to Schacht**

Oct. 15 (EIRNS)—With amazing bluntness, Germany's leading Anglophile weekly, *Der Spiegel*, wrote in its current issue, that the "rescue fund is a British idea," while its London correspondent added that "instead of billions or even hundreds of billions, the losses stemming from the financial crisis could now number in the trillions. Mountains of public debt could limit the ability of governments to act for years, if not decades."

The same report recalls another Black Monday, namely July 13, 1931, when the German government of Chancellor Heinrich Brüning shut down all bank trading after the default of the Danat Bank, going into a giant bailout operation for the German banks, which, in many cases, made the government the majority shareholder of troubled banks. By the Summer of 1936, the crisis was over, the banks were reprivatized, the article stated, advertising that as a lesson to be learned today. Apparently, this is an advertisement for the policy of debt collecting and rollover which Montagu Norman,

then governor of the Bank of England, promoted in the Weimar Republic through Reichsbank President Hjalmar Schacht, his favorite asset in Germany's banking sector.

Today's German government walks in the footsteps of late Weimar, *Der Spiegel* insisted: "The [Eu500 billion] program, if ultimately approved, would resemble in some respects, the measures taken by the government of Chancellor Heinrich Brüning in 1931. But the similarities don't end there. Then, as now, it all began with a speculative bubble. In the 1920s, investors gambled with debt-financed stocks, and in the 2000s it was credit derivatives. Then, as now, politicians initially underestimated the extent of the crisis, and their reactions came too late and lacked coordination."

## **Bailout Fallout: Brutal Austerity, Unemployment**

Oct. 15 (EIRNS)—It is already starting in Britain: Centered around a streamlining plan for the Justice Ministry and the legal apparatus, about 10,000 jobs are to be cut, setting the standard for the rest of the public sector. Also, Britain was expected to announce a sharp rise of 30,000 in unemployment today, the *Daily Telegraph* reported, with "unemployment poised to increase above 1 million before the end of the year and could reach 2 million in 2009."

In Spain, the governor of the central bank called for "wage discipline" in order not to disturb the bailout, and attacked the Socialist government's plan to finally fulfill its promise to increase the minimum wage, which, at 600 euros, is still below the official poverty level.

At the same time, Italian banks are cutting credits to small and medium-sized enterprises. The daily *Libero* has published a policy paper of a large bank, ordering all its offices to suspend loans to small enterprises and to cut down mortgage loans to private customers.

Also chief City of London mouthpiece Ambrose Evans Pritchard writes in the *Daily Telegraph* today under the headline, "Bank crisis ends as the economic crisis begins," how after saving the banks, now the economic crisis has to be faced. Pritchard claims the "years of excess debt are slowly being purged from the system," and people will start "to lose their jobs in earnest."

## **OECD Issues Damning Report on BAE Corruption**

Oct. 18 (EIRNS)—The Organization of Economic Cooperation and Development has issued a 75-page report on the corruption by BAE Systems and the British government in bribery allegations in massive arms sales to Saudi Arabia. This is the infamous transfer of hundreds of millions of dollars in bribes by the British government and the British aerospace company BAE Systems to Saudi Prince Bandar. These bribes were deposited in banks in the United States and used by Bandar and his British masters as a massive slush fund to finance intelligence operations all over the world. The U.S. Department of Justice has been investigating BAE and these bank accounts for violation of money-laundering laws.

The OECD report, drafted by its Working Group on Bribery, headed by Swiss law professor Mark Pieth, condemned the British government's toleration of corruption, especially its failure to pass an effective anti-corruption law. The study group said it was "disappointed and seriously concerned" by British behavior. The report stated that despite promising for the last six years to pass a new anti-corruption law and prosecute major cases, the British government has done nothing.

The report goes so far as to say that if Britain continues to refuse to conform with its treaty obligations under the OECD's anti-bribery convention, it may "trigger a need for increased diligence over UK companies by their commercial partners or multilateral development banks," according to an OECD press release. This recourse is usually reserved for countries led by allegedly corrupt dictators.

The full report is available on the OECD's website.

## Russia and the CIS News Digest

### Lavrov Calls Again for Cooperation with U.S.A.

### Kokoshin Warns of Dollar Collapse

### Putin/Medvedev Economic Moves Alarm Financier Circles

#### **Lavrov Calls Again for Cooperation with U.S.A.**

Oct. 16 (EIRNS)—Russian Foreign Minister Sergei Lavrov emphasized Russia's "willingness to continue a full-format cooperation with the United States on the bilateral and international agenda," in his Oct. 14 meeting with Rep. Howard Berman (D-Calif.), chairman of the House Foreign Relations Committee, the Russian Foreign Ministry reported in its statement on the meeting. The two discussed current U.S.-Russian relations, and prospects for the future.

Lavrov had called for the United States and Russia to recognize that they share "a common destiny," and cooperate closely on transforming the international system, in an article, "Face to Face with America: Between Non-Confrontation and Convergence," published in the magazine *Profile* on Oct. 13, which U.S. statesman Lyndon LaRouche heartily welcomed. (See InDepth.)

During his three-day visit to Moscow this week, Berman also met with his counterpart, Konstantin Kosachov, chairman of the State Duma International Affairs Committee, former Prime Minister Yevgeni Primakov, and other authorities, as well as officials of Rosatom, the Russian nuclear energy state corporation. Discussions ranged from the August events in Georgia, to the Iranian nuclear program.

"Our two countries have to address some difficult issues, especially in the wake of the Georgia conflict. But we also face many common threats that should push us to develop a stronger partnership," Berman said in a joint press conference with Kosachov, after their meeting. "We have not spent enough time thinking about U.S.-Russian relations. We need to engage in better and more frequent dialogue. We have fundamental concerns in common, and must work together to build a partnership that will enable us to address these challenges more effectively."

"We're not only developing a political relationship between Foreign Affairs Committee chairmen, but also the start of a friendship," Berman added. Kosachov pointed out that Berman is the highest-level U.S. government official to visit Russia since the conflict with Georgia. He had been invited by Kosachov as part of an ongoing parliamentary exchange between Russia and the United States.

Berman told Kosachov that the United States has no plans to provide the nation of Georgia with military assistance, but only humanitarian aid, in 2009, according to Russian wire services. "We regard as crucial the confirmation on the part of Mr. Berman that the United States is not interested in maintaining the conflict and is ready to help resolve it," Kosachov said.

#### **Kokoshin Warns of Dollar Collapse**

Oct. 16 (EIRNS)—Andrei Kokoshin, deputy head of the majority United Russia group in the State Duma, warned of the international inflationary effect of the U.S. Fed's decision to provide unlimited dollar loans to the central banks of the European Union, Japan, the U.K., and Switzerland. Kokoshin said, in a statement today to RBC, that this massive dollar-pumping has raised serious concerns among both Russian and foreign experts, because it could greatly increase inflation globally. He emphasized that nobody was interested in the collapse of the dollar, or in greater dollarization of the global economy.

Kokoshin said that Russia and several other countries, must develop and put forward an alternative to the increasing dollarization of the global economy as soon as possible. This must be done within both the Eurasian Economic Community (EurAsEC)—the nations of the former Soviet Union—and the Shanghai Cooperation Organization (SCO),—which includes China, and as observers, India, Pakistan, Mongolia, and Iran.

Kokoshin is a leading Russian expert on the United States, and especially on Franklin Roosevelt.

### **Putin/Medvedev Economic Moves Alarm Financier Circles**

Oct. 17 (EIRNS)—Of the package of crisis measures, about which Russian leaders have been in constant meetings all month, one aspect has greatly upset Russian and international financiers: Prime Minister Vladimir Putin announced strict conditions for desperate Russian banks and companies to convert their foreign debt into loans from the state-owned Vnesheconombank (VEB). Those terms, as spelled out by Putin in an Oct. 13 session with the VEB Board (which he chairs), are the following:

- \* the borrower must have most of its operations within Russia and in the real sector of the economy (tangible goods production and infrastructure);

- \* operations finance must be of either regional economic importance, or be important to strategic sectors;

- \* only foreign loans that were initially taken out for purposes of investment projects or asset acquisition inside Russia are eligible for the program.

The VEB refinancing program has been assigned state funding of \$50 billion. As of Oct. 14, KM.ru reported, there were already applications from 35 corporations and 20 banks, totalling more than that amount. The loans being refinanced are part of about \$450 billion of private foreign borrowings by Russian companies in recent years, when interest rates were lower in London and other foreign markets, than inside Russia. Now, with the borrowers unable to refinance in frozen credit markets abroad, the Russian government is acting to bring these credit operations home, and to direct them into priority areas.

A Bloomberg wire today wailed that VEB's refinancing will "extend control over business leaders" and "give authorities veto power over companies' financing decisions." Among those that have applied are Basic Element, the holding company of aluminum magnate Oleg Deripaska; Mikhail Fridman's Alfa Group; and the telecommunications/IT giant AFK Sistema.

Putin started pushing for active measures to defend real industry, at his Sept. 26 meeting with Andrei Kostin of VTB, another one of Russia's big four banks. "What's up with your relations with the real sector?" Putin demanded, "That's the first question." Kostin laid out the need to "save Russian assets," since the large private-sector foreign debt could suck the companies dry rather quickly.

The VEB refinancing plan was announced by Putin at a Sept. 29 conference, alongside liquidity of 950 billion rubles (\$36

billion) being pumped into the Russian banking system and stock market. The relevant laws were signed by President Dmitri Medvedev on Oct. 13. That day, Putin held his session with the VEB board (including the closely linked Development Bank), as well as a Government Presidium session. He told the Presidium that the directed measures were urgent, because merely pumping in liquidity would not save the industries. People from construction, machine-building and agriculture were reporting to him that "financial famine" threatened their operations, the prime minister said. Putin prioritized construction, leasing operations (used in transport and agriculture), machine-building, and the defense industry sector, noting that the latter "has special credit needs" outside of the stock markets.

All of these measures were reviewed again yesterday, along with reports from deputy premiers on consultations with Russian construction and auto industry executives, at an economic policy conference chaired by Medvedev. He instructed the government to pay particular attention to ensuring that the defense industry, regionally oriented infrastructure and transport projects, and small business all receive financing.

## Southwest Asia News Digest

### [Barak: Israel Open to Talks on Abdullah Peace Plan](#)

### [Ha'aretz's Benn: Israel Must Adapt to U.S.-Iran Dialogue](#)

### [U.S.-Iraqi Security Agreement Sparks Protests](#)

### [Syria and Lebanon Re-Establish Diplomatic Relations](#)

#### **Barak: Israel Open to Talks on Abdullah Peace Plan**

Oct. 19 (EIRNS)—In an interview today on Israeli Army Radio, Defense Minister Ehud Barak, who is also head of the Labor Party, said that, "There is room in the Israeli coalition for the Saudi initiative," referring to the Abdullah peace initiative adopted by the Arab League in 2002. Barak referred to this initiative in the context of Palestinian and Syrian talks presently making "little headway," reported the Israeli daily *Ha'aretz*, and he suggested that perhaps now is the time for an overall regional peace initiative.

*Ha'aretz* notes that President Shimon Peres alluded to this plan in his September speech to the UN General Assembly, and called on King Abdullah to further his initiative. Barak said he is in full agreement with Peres, and also spoke to Prime Minister-designate Tzipi Livni, whose office refused to comment.

There are two major Israeli objections to the Abdullah proposal: the right of Palestinian refugees driven out in 1948 to return to their homes and lands; and the demand that Israel return to its 1967 border, as specified in UN Security Council resolutions. The Arab League reiterated its support for the Abdullah plan in its meeting this year in Damascus, Syria.

Palestinian National Authority negotiator Saeb Erekat said that he supports Israel's pursuit of the Abdullah plan, adding that they should have done this in 2002 when it was first offered. But the Palestinians, as well as other Arab countries, warned that the "Abdullah plan" cannot be used as a substitute for Israeli-Palestinian peace talks.

#### **Ha'aretz's Benn: Israel Must Adapt to U.S.-Iran Dialogue**

Oct. 19 (EIRNS)—In an article analyzing his own newspaper's exposé of an extensive Israeli intra-Cabinet agency task force to prevent Iran from attaining nuclear weapons without a military attack, *Ha'aretz* columnist Aluf Benn writes that Israel will not attack Iran "during the rest of George W. Bush's term."

He continues that the "Foreign Ministry document ... reported by *Ha'aretz* on Sunday, translates into official language what strategic experts have been saying for a long time: Israel will not attack Iran's nuclear facilities and must get used to the reality of the U.S.'s dialogue with Tehran, considering the expected changeover of government in Washington."

He cites statements from Kadima Member of the Knesset (MK) Isaac Ben Israel, who is also a major general in the Israeli Defense Forces (IDF) Reserves, that while Israeli Prime Minister-Elect Tzipi Livni believes that "Israel will have no choice but to attack," if the world does not stop an Iranian bomb. "It doesn't mean we're going to bomb in three months."

The guts of the Israeli plan against Iran is a four-team effort worked out over several months by the Foreign Ministry, the Atomic Energy Commission, the National Security Council, the Mossad, the Defense Ministry, and academia. All of them will advise Israel's diplomatic missions throughout the world. Team One will organize and assert international pressure against Iran's cooperating or acquiring any nuclear technology; Team Two will run economic isolation of Iran—"cancelling deals ... boycotting Iranian banks," and divesting from Iran. Team Three is to isolate Iran on matters of human rights, and on support for Hamas and Hezbollah, and will organize protests against visiting Iranian officials. Team Four will run propaganda, news manipulation, and be responsible for "disseminating intelligence against Iran in the media."

## **U.S.-Iraqi Security Agreement Sparks Protests**

Oct. 18 (EIRNS)—Thousands of Iraqi Shi'ites demonstrated in Baghdad today against the U.S.-Iraq security agreement which, according to numerous news reports, is about to be presented to the Iraqi government (but not to the U.S. Congress) for ratification. A letter said to be from Shi'ite cleric Moqtada al-Sadr was read to the crowd, calling on the parliament to reject the agreement. "I reject and condemn the continuation of the presence of the occupation force and its bases on our beloved land," the letter said, according to Reuters. Iraqi Foreign Minister Hoshyar Zebari told reporters today that the agreement is temporary, non-binding, and that it doesn't establish permanent bases for the U.S. military. According to excerpts of the agreement published by AP, it sets a date of Dec. 31, 2011 for the complete withdrawal of U.S. forces, and June 30, 2009 for withdrawal from Iraqi cities and villages. It denies U.S. troops authority to detain Iraqi citizens or enter Iraqi homes except under Iraqi warrants. The agreement, however, avoids giving Iraq any real legal authority over U.S. troops who commit crimes, by granting that authority only if the crime (which has to be "premeditated" or a "gross felony") is committed by U.S. soldiers off duty and outside their bases, a condition which almost never occurs.

Controversy over the agreement was heightened this week, when the U.S. commander in Iraq, Gen. Ray Odierno, told the *Washington Post*, in an interview, that U.S. intelligence suggested that Iran was trying to bribe Iraqi members of parliament to vote against the agreement. He admitted he had no definitive proof of any bribes, but told the *Post* that "there are many intelligence reports that suggest that Iranians are coming in to pay off people to vote against it." Odierno's claim brought a sharp reaction from Iraqi Prime Minister Nouri al-Maliki, who told a group of visiting Kuwaiti journalists yesterday that Odierno "risked his position" by making such comments, and that he "has regrettably complicated relations."

Following the Oct. 18 demonstration, the Shi'ite parliamentary bloc has demanded changes in the draft. Sadr's faction of the 85-member bloc has 30 seats, but now a broader group, the United Iraqi Alliance, which includes Maliki's Dawa party, is also demanding changes. Two of the bloc's demands are that all U.S. forces must leave the country by 2011, and that U.S. soldiers be put under Iraqi jurisdiction for crimes that they might commit.

The Sunni members of the parliament have also refused to support the draft agreement as it is, and are demanding more time for review.

## **Syria and Lebanon Re-Establish Diplomatic Relations**

Oct. 15 (EIRNS)—Syria and Lebanon re-established diplomatic ties today, for the first time since independence 60 years ago. The official Syrian SANA news agency said: "Syrian Foreign Minister Walid Muallem and his Lebanese counterpart Fawzi Salloukh signed a joint statement announcing the launch of diplomatic relations."

### **Tehran Conference: Establish Dialogue Before 'Catastrophe' of New War**

Oct. 16 (EIRNS)—"Recently it became known that Israel had asked permission from the U.S.A. to bomb Iran, but met with a no. Today's line of conflict and war rhetoric is not constructive, and, may in the worst case, lead to catastrophe. It is imperative to establish a better dialogue between the Islamic world and the West before an armed conflict develops," stated former Prime Minister of Norway Kjell Magne Bondevik, who is now president of the Oslo Center for Peace and Human Rights. The group is one of the three co-sponsors of a conference held Oct. 12-14 in Tehran, which was chaired by Iran's former President, Sayyed Mohammad Khatami.

Bondevik, who co-chaired the conference, was one of 40 political and religious leaders who attended, including 6-8 former heads of state, and Kofi Annan, the former secretary general of the United Nations. The conference is sponsored by Khatami's Foundation for Dialogue Among Cultures and Civilizations, the Oslo Center for Peace and Human Rights, and the Club de Madrid for former prime ministers and Presidents.

While the subject of the conference, "Religion in the Modern World," didn't take up the nuclear negotiations and war threat against Iran on its agenda, the statement by Bondevik, which was put out as a press release by the Oslo Center, indicates that this threat is a concern of the participants, and was a diplomatic show of force to push forward diplomacy with Iran before the Anglo-American-Israeli war party can resume their war drive.

The speakers included: Kofi Annan; Mary Robinson, the former President of Ireland; former Italian President Romano Prodi; former French prime minister Lionel Jospin; former Portuguese President Samparoi, who is now UN High Representative for Alliance of Civilizations; and former Sri Lankan prime minister Bandaranaike Kumaratunga, among others. Annan attacked opportunistic politicians who make extremist speeches to get elected. Speaker after speaker also addressed the "global food, energy, and financial crises," and the need for the conference to address the growing poverty of the people of the world.

Khatami, a high-ranking Shi'ite cleric, addressed the common values of the "divine religions" in combatting "modernism" which proclaimed its superiority in the 18th and 19th centuries, and which led to nihilism. "Today," he said, "at the beginning of the third millennium, centuries after the advent of modernism, not only has that conceit and optimism faded away, but [it] has also made the modern world face many uncertainties and threats.... If this situation continues, it will lead to nihilism or will promote and intensify the current nihilism. As a result, the foundation of the life of human beings will collapse in the devastating storm of nihilism ... and all vestiges of modern civilization will also disappear."

## **Asia News Digest**

### **Is U.S. Getting Suspicious of British Plans in Afghanistan?**

## Asian Nations on Food and Energy Crisis

## Chinese Industry Hit by Crisis

## Economic Crisis Destroying Pakistan

## Standard Chartered to Asia: Don't Stop Deregulation!

## Fighting Erupts on Cambodia-Thailand Border

### **Is U.S. Getting Suspicious of British Plans in Afghanistan?**

Oct. 15 (EIRNS)—A number of differences have emerged between Washington and London over Afghanistan. To begin with, Britain had refused to take on the drug warlords, thus helping the anti-U.S. insurgents in Afghanistan. U.S. Defense Secretary Robert Gates and the U.S. Supreme Commander with NATO, Gen. John Craddock, read the British the Riot Act, saying taking on the drug lords is necessary to curb the Taliban-led insurgency.

On Oct. 12, the *Daily Times* of Lahore pointed out that British officials covered up evidence that a Taliban commander killed by special forces last year in Helmand, the largest drug-producing area in Afghanistan, where the British troops are centered, was in fact a Pakistani Inter-Services Intelligence (ISI) officer. The report said Britain's refusal to make the incident public led to a row with Afghan President Hamid Karzai, who has long accused London of viewing Afghanistan through the eyes of Pakistani military intelligence. So furious was Karzai that he threatened to expel British diplomats. *EIR* has pointed out the close links between the ISI and the Britain's MI6 in breaking up Pakistan, and the anti-U.S. role of this duo.

In addition, according to a French diplomatic cable leaked to a French magazine last week, U.K. Prime Minister Gordon Brown's government is looking for an exit strategy from Afghanistan, and sees a U.S. escalation of the war as an alternative to a political settlement, rather than as supporting such an outcome. The Bush Administration, however, was evidently taken by surprise by news of the Afghan peace talks that took place in Riyadh under the aegis of Saudi Arabia and Britain, and the implication was that the administration would not welcome such talks. The U.S. is suspicious of these talks because they took place behind its back and involve all three parties—the Taliban, Saudi Arabia, and Britain—that are undermining the U.S. troops in Afghanistan.

### **Asian Nations on Food and Energy Crisis**

Oct. 17 (EIRNS)—Rising food and energy prices are cutting sharply into the world economy, Kazakstan Foreign Minister M. Tazhin said at the Asian Cooperation Dialogue meeting of 31 nations in Astana yesterday. The world financial crisis and the price shocks were the leading issues at the conference, *The Hindu* reported. Anxiety over these "the twin crises was palpable right from the beginning" of the conference, the correspondent wrote. "The world situation in the market of energy equally causes concern. We have approached to such a stage where recent jump of the prices has caused sharp falling demand and decrease in economic activity. The urgent coordinated measures to correct the situation are required [from] Asian countries," Tazhin said.

Indian Ambassador to Kazakstan Ashok Sajjanwar told the meeting that the "global food crisis is not a natural catastrophe. It is man-made. The fall in world cereal production, low foodstock levels, and crop diversion for the biofuel sector have played a major role. Add to these, the role of speculation and financialization of commodities, and we have an

unprecedented crisis." The effects of rising food and energy costs, natural disasters, and climate change are "pressing challenges," he said. "This has been further exacerbated by the global economic slowdown, coupled with the financial crisis. The specific and inter-related challenges of high oil and food prices threaten to undermine the economic progress made by many developing countries." The need of the hour is a "global compact of coordinated and collective action" to ensure food security.

He stressed the role of the Green Revolution in India's development, and said there must be another round of such research in the public domain. "India on its part is willing to work with all other countries, including through collaborative R&D, to evolve better seed and farm technologies."

Russian Foreign Minister Sergei Lavrov told the meeting that the world is gripped by crises which "stress the necessity to promote collective methods of solution of world problems on the basis of possession of equal rights, mutual respect of interests and recognition of variety of models of development."

The ACD, founded in 2002 by former Thai Prime Minister Thaksin, includes Russia, China, India, Japan, and South Korea, and many nations of Southeast and Southwest Asia.

### **Chinese Industry Hit by Crisis**

Oct. 17 (EIRNS)—Thousands of workers were shut out of their workplaces this week when two Chinese subcontractors of a Hong Kong toymaker went bankrupt in Guangdong Province, the *National Business Daily* reported yesterday. The factories were unable to pay their 6,500 workers' salaries since last month, due to the collapse of the market in the United States. Such subcontracted manufacturers are being hit hardest in China. Half of China's toymakers have had to shut down so far this year. The city of Dongguan, where most of the toys are produced in China, experienced a 1.5% fall in exports, the first such decrease in years. The Hong Kong parent company, Smart Union, which produced for Mattel and Disney, is on the verge of shutdown, *China Daily* reported.

China's own industry—not just the foreign-owned processing trade operations—is also being affected, which will have even more serious consequences, *China Daily* reported. Chinese car producers, in contrast to affiliates of foreign producers, will have to be "consolidated" beginning next year, as slower sales and rising costs hit, an official of the National Development and Reform Commission said yesterday. "Some weak brands and less competitive players will start to be pushed out next year," Cheng Xiaodong said. "Local carmakers with small profit margins will be hit first." The process is already under way.

### **Economic Crisis Destroying Pakistan**

Oct. 17 (EIRNS)—The Pakistani rupee hit an historic low to the U.S. dollar today, as the country's foreign reserves fell 7% this week alone to just \$7.7 billion—barely enough for six weeks' worth of imports, *Pakistan News* reported. The rupee is down almost 30% this year so far. The State Bank of Pakistan has just \$4.34 billion in reserves; the rest is in other banks. The rupee hit a low of 84.5 to the dollar, and was pulled up to 83 to the dollar only after a \$40 million intervention by the State Bank. Flight capital is estimated at some \$70 million per day. Pakistan's trade deficit has risen 53% in the 2007-08 financial year, to over \$20.7 billion. In July alone, the deficit hit \$1.6 billion, with imports costing \$3.5 billion.

This hits the impoverished population hardest. Inflation is at 25%, mostly of food and fuel. Prices of wheat, rice, and milk have doubled in the past few months, and a third of the population of 165 million is now living below the poverty line—which means hunger.

Shaukat Tareen, top financial advisor to Pakistani President Zardari, warned yesterday that Pakistan is on the verge of economic collapse, *The Australian* reported from Islamabad. Tareen said that the "economic cost caused by the war on terror in Pakistan has now risen to an unbearable level and a very negligible portion of the costs is being defrayed by its partners." He and central bank governor Shamshad Akhtar were in Washington to seek a \$10 billion loan.

The government of former President Perez Musharraf is being blamed for the problem, allegedly because of its big subsidies to wheat and fuel, which Pakistan "could not afford."

One effect is that many Pakistanis who can no longer afford to pay for their children to go to school, are now sending them, instead, to Islamic madrassas, where they are given free education centered around Koranic studies.

## **Standard Chartered to Asia: Don't Stop Deregulation!**

Oct. 16 (EIRNS)—Fresh from formulating British Prime Minister Gordon Brown's bailout plan, together with Alan Greenspan, the leading British imperial bank, Standard and Chartered, one of the drug-running institutions under the British East India Company in occupied China in the 19th Century, is showing its alarm that Asia may be ready to break from the Empire once and for all. Gerald Lyons, the chief economist and head of global research for Standard Chartered, wrote in the *Taipei Times* today about Asia's response to the ongoing collapse: "It would be wrong if emerging economies thought they should stop, or even reverse, deregulating their financial sectors. The fact that there have been financial problems in the U.S. should not stop deregulation across Asia.

## **Fighting Erupts on Cambodia-Thailand Border**

Oct. 15 (EIRNS)—Small-scale but serious fighting has occurred in the area near the Preah Vihear Temple World Historical site, between the Thai army and Cambodian forces. Both sides have taken casualties, with two Cambodian deaths reported. Both sides claim that they were in their own territory when the other side began firing. The foreign ministries of the two countries summoned each other's ambassadors and lodged formal complaints about the clashes.

This border spot, although having been disputed for many years, had been quiet until being designated a World Historical site earlier this year. Several Thai newspapers and the right-wing anarchist PAD party accused the Thai government of "not defending Thailand's heritage" and made a major issue of the temple. Tension has been high and there have been several border incidents since. [End of file]

## **Africa News Digest**

### **Financial Meltdown Threatens Severe Food Crisis in Africa**

### **London Enraged at Mbeki for Zimbabwe Intervention**

## **Financial Meltdown Threatens Severe Food Crisis in Africa**

Oct. 15 (EIRNS)—The global financial crisis is going to threaten further food shortages, hitting Africa and the rest of the developing sector especially hard, according to UN Food and Agriculture Organization (FAO) director-general Jacques Diouf, formerly President of Senegal. In a statement issued from the FAO's Committee on World Food Security, which met in Rome on Oct. 14, Diouf urged the developed nations not to cut aid to food-short nations, and not to put up protectionist measures in response to the financial crisis.

Food prices have remained extremely high, draining the revenues of poorer nations. The International Rice Research Institute (IRRI) issued a statement on Oct. 15, saying that export prices of rice, one of the world's most important food grains, almost tripled between last November and May, triggering riots in more than a dozen countries, before softening to still historically high levels of more than \$700 a ton. "The 2008-2009 rice market is likely to remain tight even with projected record global production of 432 million tons, a 1% increase over last year's 428 million tons," the Philippines-based institute said in its quarterly publication *Rice Today*. The soaring food price crisis threw an additional 75 million people into hunger and poverty in 2007 alone, according to another report.

Many African nations depend heavily on commodity exports, and commodity prices have begun to drop sharply. Such reduction in revenue earning is going to force these nations to cut back food grain plantings, causing a lower harvest in the coming years. Given continuing low grains stocks, this scenario could lead to record food prices next year—a catastrophe for millions who by then would be left with little money and no credit.

### **London Enraged at Mbeki for Zimbabwe Intervention**

Oct. 19 (EIRNS)—The London-based global financial cartel lost its stiff upper lip and spewed forth its hatred of former South African President Thabo Mbeki, in a London *Economist* editorial dated Oct. 16. The cartel is particularly incensed that Mbeki—whom the cartel contrived to have thrown out of office last month—six months before the end of his term—is still trying to mediate a peaceful end to the political stalemate in Zimbabwe, by which Mbeki is still attempting to sabotage the cartel's use of manipulated conflicts to turn the political fight in Zimbabwe into a regime-change scenario against the government.

Entitled "A need to knock heads together," the *Economist* editorial says that even though the Southern African Development Community (SADC) reappointed Mbeki as mediator in the impasse in Zimbabwe between the ruling Zanu-PF party and the British-backed MDC opposition party, the worsening situation in Zimbabwe requires that Mbeki be replaced.

Under the subtitle "Find a new head-banger," the *Economist* says it is time for Mbeki opponent Jacob Zuma, the new president of the African National Congress, to take over the job in Zimbabwe, because he will be tougher on Zimbabwe President Robert Mugabe.

If Zuma is too busy, adds the *Economist*, then the SADC and African Union should bring in former UN Secretary-General Kofi Annan to do the job.

All rights reserved © 2008 EIRNS

[top of page](#)

[home page](#)