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From Milken & Enron to Perugia
'Extreme Events'!
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There is an epoch-making quality of common historic thread, which ties together recent events typical of New York's and London's financial center, with both the Jokela High School massacre, and the very ugly death of a young English woman, in Perugia, Italy. All three of these and comparable signs of these, our present times, mark these reported events as sharing the characteristic of the events which a judge in Perugia reported, as driven by an ostensibly uncontrollable yearning for an ``extreme" quality of existentialist experience, by at least some among the surviving participants. These are experiences which, when combined, might be described as a kind of dionysian event expressing some particularly worrying characteristics of our presently onrushing, global ``new dark age." All three of these, and many other, related kinds of extreme events, are, like Rupert Murdoch's MySpace and Microsoft's Facebook, or Microsoft's and others' killer computer games, all to be combined as signs typical of our wicked and deadly present times....

In-Depth articles from Vol. 34, No. 46

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Feature

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Franklin Roosevelt described the cooperation needed between the Executive and Congress to save the nation, in this campaign speech to Republicans on Nov. 3, 1932.

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Dennis Spurgeon

Assistant Secretary for Nuclear Energy at the U.S. Department of Energy, Mr. Spurgeon also leads the DOE's Global Nuclear Energy Partnership (GNEP).

Editorial

No Excuses

U.S. Economic/Financial News

Federal Judges Dismiss Bogus Foreclosure Cases

Nov. 17 (EIRNS)—Following the Oct. 31 decision in Cleveland, Ohio, by Federal Judge Christopher A. Boyko, to dismiss 14 home foreclosure cases, brought by Deutsche Bank National Trust Co., on Nov. 14 Federal Judge Kathleen M. O'Malley similarly "dismissed without prejudice" 32 foreclosure cases in Cleveland, because the plaintiff did not provide documentation that it was the owner/holder of the note and mortgage when the foreclosure action was filed.

Separately, on Nov. 15, Federal Judge Thomas M. Rose for the Southern District of Ohio, in Dayton, threatened to dismiss 27 foreclosure actions within 30 days, because lenders have not proved they own the property they are foreclosing on. Lyndon LaRouche observed that the "legitimate suspicion" that banks leveraged mortgage they didn't own properties, could bring down the system.

Judge Rose ruled that the lawyer filing 26 of the foreclosure cases had claimed his clients did own the properties at the time the foreclosures began, but he had not submitted the necessary evidence to the court.

"Failure in the future by this attorney to comply with the filing requirements," Judge Rose wrote, "may only be considered to be willful."

"A willful failure to comply" with the pertinent law within 30 days, he said, "may result in immediate dismissal of the foreclosure action." The law requires, among other things, a recorded copy of the mortgage, and an affidavit documenting that the named plaintiff is the owner and holder of the note and mortgage at the time the foreclosure complaint is filed.

Citibank is trustee in one of the cases, the *New York Times* reported; it represents a securitization trust sold in 2005 by First Franklin, a loan originator now owned by Merrill Lynch. Another case involves HSBC.

Judge Rose said he was "in full agreement with Judge Christopher A. Boyko ... who recently stressed that the judicial integrity of the United States District Court is 'priceless.'"

Judge O'Malley said the plaintiff did not "appropriately document the chain of ownership to demonstrate its legal status vis-à-vis the items at the time it files suit on those items."

Congressman Calls for Federal Freeze on Foreclosures

Nov. 17 (EIRNS)—Philadelphia Congressman Chaka Fattah (D), chairman of the House Urban Caucus, wrote to George

Bush yesterday, calling on him to "declare a six-month moratorium on all foreclosures" as a "stop gap measure until long-term measures can be implemented to address this national crisis," according to a release from his office carried by PR Newswire and U.S. Newswire.

Industrial Production Index Fell in October

Nov. 16 (EIRNS)—The index of industrial output in the United States showed a decline of 0.5% in output of factories, mines, and utilities compared to last month, according to figures, which are typically significantly understated, released by the Federal Reserve today. Here are some of the findings:

- * Factories made 0.4% fewer goods in October. (Factories account for four-fifths of what's called industrial production, with the remaining portion accounted for by mining and utilities.)

- * Utility production dropped 1.6%.

- * Mining output, including petroleum drilling, decreased 0.6%.

- * Motor vehicle and parts production fell 1%.

- * Consumer durable goods production, including furniture and electronics, dropped 0.6%. The decline in sales of consumer durable goods goes along with the home mortgage bubble blowout. For example, Whirlpool Corp., the largest home appliance manufacturer in the world, posted a decline of 8% in its third-quarter sales this year.

Capacity utilization of surviving productive facilities is also declining, even as the overall capacity itself has dwindled by the drastic takedown of the auto and other manufacturing sectors. Capacity utilization fell in October to 81.7%, down from 82.2% in September. (Capacity utilization is actual production taken as a percentage of potential production from plant and equipment.)

U.S. Cities, Projects, Entities Hit by Loss of Credit

Nov. 16 (EIRNS)—As turmoil increases for banks and all credit institutions, U.S. cities and municipal entities are forced to delay bond issuances and borrowing, including for vital functions. Among the recently delayed or postponed municipal bond issuances are the following:

- * Chicago O'Hare International Airport—\$960 million;

- * Puerto Rico Public Building Authority—\$900 million;

- * Miami-Dade County, Florida—\$540 million.

One factor in this picture is that the insurers of municipal bonds—also of mortgage-backed securities (MBS)—are in crisis. Share values of the major insurers are plunging. On Nov. 15, shares fell 7.2% in one day for Ambac Financial Group, Inc., which has lost 48% of its share value in the past three months. Yesterday, executives of Ambac started crisscrossing the country to meet with municipal bond issuers, investors, and banks to attempt to calm panic.

Fannie Mae Stock in Free Fall

Nov. 16 (EIRNS)—The stock value of Fannie Mae, which plays the role as owner or guarantor of \$2.7 trillion of U.S. mortgage assets, plunged 10% Nov. 15, and by late morning today, fell another 13%, to \$37.44. This results from a suspicion that the mortgage finance company's newly announced accounting figures for write-offs and losses understate the actual size of the losses. Fannie Mae executives held a conference call this morning to defend their statistics, which also involved a change of accounting method. Fannie Mae has reported a loss for the third quarter of \$1.39 billion.

Behind Fannie Mae: A Parade of Losers

Nov. 16 (EIRNS)—Fannie Mae's double-digit stock plunge on Nov. 15—the biggest since the 1987 market crash—leads a parade of other big brass who are also losing share value, as they post huge losses in home mortgage-related financing activities and speculation. Year-to-date, the value of U.S. financial stocks is down 15% overall, as measured by the D.J. Wilshire Index of financial firms.

* Barclays, one of the world's major banks, yesterday reported \$2.67 billion in charges and write-downs for securities tied to subprime mortgages.

* Bear Stearns stock dropped 3% on Nov. 15, after its long-term rating was downgraded a notch by Standard & Poor's, following an asset write-down by Bear Stearns of \$1.2 billion in its fourth quarter.

* Shares of Freddie Mac fell 6% Nov. 15, by \$2.49, down to \$39.37.

* Novastar Financial, Inc., a major player in subprime mortgages, saw its share value drop 25%, or 53 cents, down to \$1.56 on Nov. 15. There are now expectations that Novastar, linked to Wachovia Bank, will declare bankruptcy. Novastar, which reported a \$598 million loss in the third quarter, is currently not in compliance with covenants of operation with Wachovia, and is still functioning on a waiver which expires Nov. 30. There is a scramble to pay down debt and take other contingent actions, which may fail.

Builder of Levittown Files for Bankruptcy

Nov. 14 (EIRNS)—The veteran homebuilder Levitt and Sons announced Nov. 11 that the company and 37 of its subsidiaries had filed for bankruptcy in Fort Lauderdale, Fla., blaming "unprecedented conditions." It had already halted all projects, laid off nearly 90% of its staff, and failed to successfully negotiate with its bank lenders to restructure its debt. The firm is best known for building Levittown, a community developed on Long Island, N.Y. for returning World War II soldiers and their families. Likewise, Sacramento-based Dunmore Homes filed for Chapter 11 bankruptcy protection late last week; it had stopped building in August.

World Economic News

162 Million People Live on Less than 50 Cents a Day

Nov. 14 (EIRNS)—In a report released Nov. 14, the International Food Policy Research Institute (IFPRI), pointed out that at least 162 million people are living below 50 cents a day (this after the recent slide in value of the dollar!).

Despite the hallelujahs sung to glorify the economic liberalization and globalization over the last two decades, IFPRI says that very little poverty reduction occurred in this category of the poorest people. If you considered these 162 million as

belonging to a single nation, it would be the seventh-largest in the world after China, India, the United States, Indonesia, Brazil, and Pakistan.

According to IFPRI, 121 million of the 162 million live in Sub-Saharan Africa and about 29 million in South and East Asia.

Nigeria is the most populous country in the region, and accounts for 21-30% of the poor living in the subcontinent. Between 1990 and 2004, the country saw increases in all poverty categories, with a substantial rise in ultra-poverty, the IFPRI report says.

European Central Bank: Inflation Is a Media Plot

Nov. 16 (EIRNS)—The European Central Bank issued a report yesterday claiming that inflation in Euroland is at 2.6%, and that consumers' perception "might have been magnified at the current juncture by the extensive media coverage of [food] price increases in some countries." In other words, prices are increasing, but there is no inflation.

Figures released Nov. 15 by the Italian Central Statistics Institute, showed that in October alone, bread prices increased 10.3%; pasta, 6.4%; milk, 5%; poultry, 7.3%, fruit, 5.3%. If price increases in August and September are added in, Italian consumer associations calculate an average increase of EU400 (\$600) for the average family food bill at the end of the year, on top of the increased gasoline bill, mortgage or rental rates, and utility bills.

Finished System Finds Chinese Exports

Nov. 16 (EIRNS)—The world financial system is finished. Chain-like effects from the now popularly admitted U.S. locality of this finished system will have an especially big effect on China's exports and overall economy, because of both countries' close economic ties, the Chinese Ministry of Commerce warned in a new official research report in the Nov. 15 *China Daily*. Already, Chinese exports to the U.S. dropped "sharply" immediately after the subprime loan crash hit in July, and if exports continue to fall "noticeably" in 2008, the entire Chinese economy will slow down, the MOC warned.

In the first quarter of 2007, exports to the U.S. had grown by 20.4% over the year before, but the rate of growth fell to 15.6% in the second quarter and 12.4% in the third. Overall, China sends 19.4% of its exports to the U.S., second after the European Union, and for every 1% slowing of the U.S. economy, Chinese exports shrink by 6%, according to the People's Bank of China.

While China's trade partners have been putting on the pressure for China to cut its big trade surplus, which hit a new monthly record of \$27 billion in October—Beijing is concerned about the risk of the effects of a "sharp" decline in exports. What will be the physical effects of this decline on the quality of life of people both in the U.S. and in China? What policies of preparation have American leaders and Presidential hopefuls put forth to defend the general welfare against this oncoming net loss of necessary consumable goods? How many millions of Chinese, who in many cases are already on the dying edge of poverty, will perish when the superfluous goods they produce are no longer affordable to the Western world? A proper study of the LaRouche-Riemann method for economics might be a good place to begin confronting these concerns.

China's Banks Pour Funds Into Nuclear

Nov. 16 (EIRNS)—"Banks in China are active in pouring the funds and there is no shortage of funds" for developing nuclear energy in China, Kang Rixin, general manager of China National Nuclear Corporation, told the World Energy

Congress in Rome Nov. 15, *Xinhua* reported. Kang told the Congress that China will double its current nuclear power capacity by 2020, and is investing 400 billion yuan to build 16 planned nuclear units. At present, just 2% of China's total installed energy capacity is nuclear, and that will go to 4%, to 40 million kilowatts, by 2020. China now has 11 nuclear power generation units in operation, with eight new ones already being built, and another eight units being planned.

Deregulation Killed Germany's Energy

Nov. 15 (EIRNS)—Wulf Bernotat, head of Germany's major energy producer, E.On, said, in a Nov. 14 statement, that the European Union bureaucrats headquartered in Brussels are a bigger threat to Europe's energy market than Gazprom, the Russian group.

What could be more dangerous to power generation than the big bad Russian Gazprom? Electricity deregulation, Bernotat said. Given what deregulation has done in the United States, where states like California have seen doubling and tripling of electricity prices since 2001, only a suicidal maniac would believe in it. Bernotat also said the European Commission's proposal to break up Europe's electricity behemoths—separating, and thus deregulating, transport and distribution from power generation, as was done in 17 U.S. states—is misguided, and would weaken Europe's electricity sector.

Indeed, experience in some EU countries also makes Bernotat's point: In the Netherlands, authorities regret they ever broke up the system in the first place; in Britain, a recent survey showed that the deregulation of the power market has led to higher, rather than lower, electricity prices.

United States News Digest

New Study: Violent Video Games Cause Aggression

Nov. 15 (EIRNS)—The media is lying when it reports that there is "no proof that video games cause violence." Two professors at Iowa State University will shortly publish a study which found that elementary school students who played multiple violent video games were 263% more at risk to become aggressive than those who played only non-violent games. The study looked at the behavior of 430 elementary school students, 607 middle school students, and 1,441 teenagers. The study, by Douglas Gentile, who is a professor of psychology, and his father, a retired educational psychology professor, will be published in the upcoming issue of the *Journal of Youth and Adolescence* according to CBC News.

The professors said, "We were able to show that students who play multiple violent games actually changed to have a greater hostile attribution bias, which also increased their aggressive behaviors over prior levels."

Blogs Dehumanize People

Nov. 14 (EIRNS)—An article in today's *Washington Post* "Style" section, entitled, "When blogs bite, they hurt! The Dark Side of Cyberspace," laments the tendency of blogs to bring out the "nasty" in people. Picking up on how even the slightest of foibles in people can become the subject of "unending gossip," the article notes that this tendency was known from day one of computer communications. "The cloaking anonymity of the internet provides a safe place for unleashing the id," the article says. Former Grateful Dead lyricist John Perrymore Barlow, now head of the Electronic Frontier Foundation, says that Cyberspace "has a way of making us feel like other people are informational artifacts. If you cut data it doesn't bleed."

The origin and development of computer networking, understood in these circles as computer "communication," was done under the protective wing of the U.S. Department of Defense, as part of the Cold War-era DARPA (Defense Advanced Research Projects Agency) program. IPTO, or Information Processing Techniques Office, the division dealing with

computer networking, was directed, not by an engineer, but by a behavioral psychiatrist, J.C.R. Licklider. The *Post* quotes one of his many biographers, Mitch Waldrop, who notes that, "Bad behavior online goes back to at least the 1960s [sic]. As soon as possible, people were doing it," a fact that could not have escaped the peering presence of Licklider and his pioneering psychos.

This information fed directly into the thinking behind the creation of the "Revolution in Military Affairs," aspects of which can be seen today, all the way from Baghdad to the "spontaneous" eruption of "video-game" killers.

Hoyer: No More Legislation This Year

Nov. 13, (EIRNS)—According to the Congressional newspaper, *The Hill*, House Majority Leader Rep. Steny Hoyer (D-Md.) has decided that "there would be no initiated legislation out of the House after the 16th of November." His announcement amounts to shutting down the 110th Congress for the rest of the year. "What I've told the committee chairmen," Hoyer said, "is that the only business that I will schedule time for, will be the finishing of business that we've already initiated, and that we are getting back from the Senate, whether it's appropriations bills or other conference reports on authorization bills, energy being one."

Indoctrinating Americans in Roman Imperial Policy

Nov. 13 (EIRNS)—The Army counterinsurgency manual, written under the direction of Gen. David Petraeus, has been published as a mass circulation paperback by the University of Chicago Press. It is available for \$15 from your local bookstore.

As was made clear at an event on the manual, sponsored by the Center for a New American Security in Washington this morning, the intention behind the mass publication of the manual goes beyond the reshaping of the Army, which is already happening. It is to reshape the strategic outlook of the nation as a whole. The object of the counterinsurgency campaign is no longer just the subject population, such as the population of Iraq, but now, it is also the American population, as well.

Sarah Sewall, the director of the Carr Center for Human Rights Policy at Harvard University and a participant in the process that produced the manual, writes in the introduction that "Iraq has bred a familiar cynicism that risks disengaging Americans from their government and from the rest of the world. This field manual directly addresses this phenomenon."

The object is an imperial policy modelled on the Roman Empire, which is a complete break with the U.S. Constitution and history. "This is what the Nazis would have done if they had not been defeated," says Lyndon LaRouche.

Will George Soros Follow Jack Abramoff to Prison?

Nov. 13 (EIRNS)—George Soros and Los Angeles film-maker Rob Reiner are involved in a new "non-profit" group called Democracy Alliance. According to coverage in today's *Los Angeles Times*, this group of "investors," which includes Taco Bell heir Rob McKay, were recently in Washington, D.C., for a strategy session. The Democracy Alliance (DA) will fund a host of additional non-profits, through which (presumably Democratic Party) campaign money can be channeled, but not traced. There are no limits on contributions from "charities," and they don't have to list their donors with the Federal Election Commission. The law allows non-profits to be "very aggressive politically, while shielding donors from disclosure," notes former Federal Elections Commission chairman Michael E. Toner. "That is a very attractive combination."

The Democracy Alliance was started in August 2005, where "at least" 80 millionaires pledged \$1 million apiece, according

to the *Washington Post*. A more recent article in Salon.com reveals that additional members include Soros's son Jonathan, "former Rockefeller Family Fund president Anne Bartley, San Francisco Bay Area donors Susie Tompkins Buell and Mark Buell ... as well as New York financiers like Steven Gluckstern."

The office of the DA is in the building of the Tides Foundation in San Francisco. A look into the networked charities connected with the Alliance reveals that this is the "civil activist" wing of the Democratic Party, the generational heirs of the '68er Students for a Democratic Society.

Although the article makes no mention of it, this is the exact formula pioneered by (now imprisoned) Republican "lobbyist" Jack Abramoff.

California Lawmaker Warns Against Border Mercenaries

Nov. 12 (EIRNS)—California Democratic Congressman Bob Filner is warning that if the Blackwater USA mercenary outfit is permitted to build an 824-acre military-style training facility in the town of Potrero, east of San Diego, and eight miles from the Mexican border, this will have dangerous implications for democracy in the United States.

Echoing warnings also made by LaRouche PAC, in the context of Felix Rohatyn's "Revolution in Military Affairs," Filner told a protest gathering last April, on the sidelines of the California Democratic Party Convention, that Blackwater's plans were "a dangerous development.... For a democracy to have mercenaries ... if the country wants to do a job, we should do it as citizens." The government "can't get enough people to go to Iraq for this horrible war, so they hire them. That's the first stage of moving toward a dictatorship."

"This is not just paranoid thinking," Filner warned. "We've seen this in history. We've seen democracies fall when mercenaries are involved. We can go back to the Praetorian Guard, or the Hessians.... This is a very dangerous development."

The Congressman told Salon.com in October that the complex that will be known as "Blackwater West" is an ominous sign of plans to, minimally, privatize border security. He noted that the Minutemen vigilante group is already present on the border, and if Blackwater moves in with its operations—which could extend far beyond border security—it will make things even worse. "You don't want armies around who will sell out to the highest bidder.... The border is a very sensitive area, and if Blackwater operates the way they do in Iraq—shoot first and ask questions later—my constituents are at risk."

Filner told constituents back in April that "we have to say ... we're not only not going to allow this to happen in our backyard ... it's not going to happen anywhere." Blackwater isn't subject to military or civilian law, he said. They've been investigated for lack of accountability. "This is disgraceful. No mercenaries for America!"

Ibero-American News Digest

Sonora Forum Hears LaRouche Strategy for Water Projects

CIUDAD OBREGON, Sonora, Nov. 12 (EIRNS)—Over 500 people overflowed this city's principal auditorium on Nov. 9, for the regional forum entitled "Let Us Build the Bridge to the Future, the PLHINO of the Twenty-First Century: Water, Energy and Food for Mexico." The conference was organized by the 15-organization Pro-PLHINO Committee, founded at the initiative of Lyndon LaRouche's associates in the region, to assemble the political juggernaut required to finally get construction going on the long-planned, tri-state water management project known as the North West Hydraulic Plan, or PLHINO.

The discussion was shaped by the intense national debate and shock over the destruction just wreaked by heavy rains in the South, precisely because long-planned necessary water projects were not built.

Mexican engineer Manuel Frías Alcaracaz presented detailed maps of the PLHINO, showing a 400-plus kilometer-long set of dams, tunnels, and canals, bringing the waters of 16 rivers from the state of Nayarit to the dry but fertile lands of neighboring Sinaloa and Sonora, opening up 700,000 new hectares of land for farming, while generating electricity and jobs in all three states. Pro-PLHINO coordinator and LaRouche associate Alberto Vizcarra Osuna detailed how such state-directed infrastructure projects as the PLHINO are a matter of *national* interest, for Mexico to secure its food sovereignty.

The centerpiece of the five-hour forum, was a presentation by *EIR*'s Dennis Small, on LaRouche's global strategy to save civilization from financial collapse and a new dark age, by mobilizing global cooperation behind great infrastructure projects. Not only must Mexico build the PLHINO, Small argued, but the United States and Mexico must establish exemplary cooperation, along with Canada, in building the gigantic North American Water and Power Alliance (NAWAPA) project, to transport waters currently flowing into the Arctic Ocean from Canada and Alaska, down through the western United States, and into northern Mexico, including into Sonora's Yaqui River.

The audience responded enthusiastically, remarking: "The PLHINO is good, but why stop there? NAWAPA, the Bering Strait Tunnel project: now those are *big!*"

Participation in the conference was representative of the political army forming for a return to great state-directed infrastructure: two Senators and several Congressmen from the states of Sonora and Sinaloa, state legislators and officials, mayors, peasant leaders, students, farmers, and labor representatives.

The conference was closed by Sonora's Sen. Alfonso Elías Serrano and Gov. Eduardo Bours, both of whom endorsed the PLHINO, and the idea of "thinking big," as necessary to secure Mexico's future.

Mexico Flood Proves: Government Just Doesn't Give a Dam

Nov. 12 (EIRNS)—The four dams on Mexico's Grijalva River—the largest in the country, which runs from Guatemala through the Mexican states of Chiapas and Tabasco—were able to handle almost the entirety of the enormous amount of rainfall that sent flood waters down the Grijalva River at the end of October; but the Usumacinta River (the second-largest in the country, in the same area) and its tributaries have no dams at all, and couldn't contain the inundation which hit the flood plain in Tabasco, along the Gulf Coast of Mexico's Isthmus of Tehuantepec.

This is the summary finding that emerged from a report filed by the Society of Civil Engineers of Mexico (CICM) on Nov. 6. According to the CICM study:

1. About one meter fell on the states of Tabasco and Chiapas in just three days at the end of October. This enormous amount of precipitation was far greater than the previous big flood of 1999, when half that amount fell during the entire month of October.
2. Where the Grijalva and the Usumacinta unite in the coastal flood plain, just downstream from the city of Villahermosa, a "hydraulic plug" developed which caused a backup of enormous amounts of water.
3. Storms in the Gulf of Mexico contributed as well, by raising the sea level by a full meter above normal, between the effects of tides and winds.

4. The Grijalva basin represents 27% of the surface area subjected to the heavy rainfall. Of the four major dams on the Grijalva and its tributaries, the three farthest upstream (La Angostura, Chicoasen, and Malpaso), were able to control 100% of the water volume reaching them without having to release any of it farther downstream. The fourth dam, Penitas, was able to contain about one-third of the 3,000 cubic meters per second of water reaching it, but was forced to release some 2,000 cubic meters per second downstream. But the CICM calculated that this volume of water contributed only 3% of the total floodwaters that hit Tabasco.

5. The Usumacinta and its tributaries and other rivers in the region, constitute 73% of the surface area hit by the rains. And they have *no* dams on them whatsoever. Thus, the devastating flood.

The CICM concludes their report with the understated recommendation that Mexico must "promote a greater investment in infrastructure projects in the entire national territory, and especially in the South-Southeast region, to prevent disasters and contribute to sustained and balanced long-term economic development."

Infrastructure Sparks Optimism in Depressed Colombia

Nov. 15 (EIRNS)—Colombian politicians are suddenly tripping over themselves to prove who's more for building a subway/metro line in the nation's capital, in the wake of the victory of the subway champion, Samuel Moreno, in the Oct. 28 Bogotá mayoral elections. In a nation targetted as a guinea pig for Dick Cheney's "Revolution in Military Affairs" permanent war doctrine, this is a revolution, the LaRouche Association of Colombia happily reports.

They should know: The LaRouche Youth Movement campaign had a lot to do with creating it.

A Bogotá city council committee representing several ideologically antagonistic parties is being put together to travel to Caracas, to seek financing from the Chávez government, it was announced this week. With one of his coalition parties publicly pleading with him to stop attacking the metro and get behind it, President Alvaro Uribe has gone from dismissing the project out of hand; to grudging talk of how financing might be scratched up after 2010; to saying currently that *of course* the national government will help put the financing together for it!

With this turn, comes a stronger impetus for South American integration, and major infrastructure investment through the Bank of the South being launched next month. The Colombian daily *La Republica* headlined its Nov. 13 article on the various metro discussions: "Bank of the South: Option for the Metro."

Argentine Industrialists Call for National Development Bank

Nov. 16 (EIRNS)—Speaking before the annual convention of the Argentine Industrial Union (UIA) on Nov. 14, President Néstor Kirchner's Chief of Staff, Alberto Fernández, who will occupy the same post for incoming President Cristina Fernández de Kirchner, announced that the new President is committed to creating a national development bank, to ensure long-term financing for industry at reasonable interest rates.

The new bank will "serve those businessmen who are interested in production ... the men of industry," Fernandez said, to the enthusiastic applause of 800 business leaders in the room.

Leaders of the UIA had issued a call for the creation of just such a national development bank, "to have a financial instrument for productive investment." The models, even if they don't mention them, are the First and Second Banks of the United States, based on Alexander Hamilton's plans, and the issuance of industrial and agricultural credit by Franklin

Roosevelt's New Deal.

At various points in its past history, particularly during the latter part of the 19th Century, the UIA has embraced the protectionist policies associated with the American System of political economy, to promote industrial development. While the UIA hasn't maintained this outlook consistently, now under the pro-industry model adopted by President Néstor Kirchner over the past five years, today's UIA states that "we are betting on an industrialist model" and demanding the means to finance it.

The UIA's vice president, Osvaldo Rial, points to Brazil's giant National Economic and Social Development Bank (BNDES) as a model for the kind of entity Argentina needs, but on a smaller scale. BNDES was founded during the second Presidency of nationalist President Getulio Vargas in the early 1950s, for the explicit purpose of financing Brazil's industrialization. Its vice president, Armando Mariante, was one of the speakers at the UIA's annual conference Nov. 15-16, whose title was "From Industrial Recovery to a Development Project."

Western European News Digest

Chevènement Blasts 'Simplified' European Treaty

PARIS, Nov. 10 (EIRNS)—In a *Le Monde* column Nov. 8, former French Defense Minister Jean-Pierre Chevènement, honorary president of the Mouvement Republicain et Citoyen (MRC) party, blasted the new, 256-page "simplified" European "mini-treaty" to be signed at Lisbon on Dec. 13. Chevènement goes after the treaty in terms parallel to those of Solidarité et Progrès president Jacques Cheminade, the leader of the LaRouche movement in France, in a Oct. 29 statement, and points to the most troubling military implications of the treaty.

For example, Article 17 states: "Before undertaking any action on the international scene, each member state will consult the others among the European Council...." Chevènement writes that "everybody understands that if these provisions had been applicable in 2003, France, being unable to oppose both the U.S.A. and the EU, with which a majority of members are aligned, could not have dissociated itself from the Iraq invasion, and tomorrow would be unable to avoid preemptive military strikes on Iran, ... if the U.S. should decide to do so."

In respect to Article 27, which restates that for those EU members that are part of NATO, it remains the "framework of their defense policy," about which Chevènement correctly observes that the treaty brings to an end any form of independent European defense.

Sarkozy Admits EU Treaty Referenda Would Lose

PARIS, Nov. 14 (EIRNS)—"Referenda on the new European Union Treaty would be 'dangerous' and would lose in France, Britain," admitted French President Nicolas Sarkozy, according to today's London *Daily Telegraph*.

"The French President's confession that governments could not win popular votes on a 'simplified treaty'—drawn up to replace the EU constitution rejected by his countrymen two years ago—was made in a closed meeting of senior Euro-MPs. France was just ahead of all the other countries in voting no. It would happen in all member states if they have a referendum. There is a cleavage between people and governments," he said. "A referendum now would bring Europe into danger. There will be no treaty if we had a referendum in France, which would again be followed by a referendum in the UK."

Spread of French Strikes Brings Sarkozy to the Table

Nov. 15 (EIRNS)—The anti-labor government of French President Nicholas Sarkozy has changed its stance and agreed to negotiate with striking French unions, because their strikes could potentially merge into a general one. The three striking sectors are those involving industrial workers, civil employees, and students. The unions are targeting the government plan to reform the "special retirement regimes"—which would extend retirement to 40 years of work and not 37.5, as now.

The government reacted to the big banner which led the demonstration yesterday, calling for unity on the issues of "wages, unemployment, and special retirement plans." The government feared that between the students on strike over unemployment (with most universities blocked), and the entering of the civil servants into the mass ferment, with a strike of their own on Nov. 20, the risk of an expansion of the political upsurge to all categories of discontent was very real.

Another Rail Strike in Germany: Issue Is Privatization

Nov. 15 (EIRNS)—Another strike of railway engineers began yesterday in Germany, this time lasting for 62 hours until Nov. 17, and affecting both freight and passenger transport, with several hundred trains coming to a standstill. The main focus of the strike is in eastern Germany, where the GDL, the railway engineers' labor union, has most of its members; there, 85%, of all trains are blocked.

As the engineers strike, pressure is increasing from among members of the general railway workers labor union Transnet—whose leaders are hostile to the GDL—to change their views on privatization. Transnet has now done so, with its leaders deciding Nov. 14 to oppose the government's plan for railway privatization. Because of their vacillation on this issue, however, the latest Transnet vote is seen with skepticism: Is it real, or will it be dropped again, at the next opportunity?

Transnet leaders also vehemently oppose the proposed Munich Transrapid maglev railroad.

Italian Infrastructure Deficit Costs \$20 Billion

Nov. 15 (EIRNS)—The failure to build necessary infrastructure in Italy in the last three years has cost that nation 14.2 billion euros (about \$20 billion), according to a study coordinated by Milan economics Prof. Andrea Gilardoni at Bocconi University. By 2020, the cost will jump to 251 billion euros, according to Gilardoni's group, which monitors "the costs of economic inaction."

In the energy sector, Gilardoni's report computes the loss caused by the failure to make the investments planned to close the energy gap. The report's computations use gas and coal as energy sources; had nuclear power been used, the losses would be even bigger because of nuclear power's higher energy flux density. The report concludes that 1.1 billion euros were lost, because of the failure to build three re-gassifiers and all the coal plants planned.

Failure to make planned investments in waste disposal have cost 4.02 billion euros; delays in the high-speed rail network have cost 3 billion; and highways, 4.6 billion.

Collapsing Dollar Threatens Europe's Export Industries

Nov. 9 (EIRNS)—Last Spring, industrial exporters in Germany said that once the dollar dropped to 1.40 against the euro, businesses with clients outside the euro-zone would run into deficits. Now, as the dollar has dropped to almost 1.50, there are warnings that this would imply disaster for exports, and experts are already forecasting a dollar-euro ratio of 1.60 to 1.00, by the end of the year.

In the case of EADS (European Aircraft and Defense Systems), continental Europe's leading aerospace conglomerate, this problem was made public yesterday, when the management announced deep cuts in the budget for the Airbus section of the firm, to compensate for net losses of 1 billion euros in the recent period. That corresponds to a drop of the dollar by 10 cents against the euro. The EADS case may also have inspired remarks made in front of the U.S. Congress, yesterday, by French President Nicolas Sarkozy, who spoke of the weak dollar policy as an "act of economic warfare against Europe." What Sarkozy did not say, is that the dollar collapse is steered from London.

Decision To Kill BAE Investigation Challenged

Nov. 9 (EIRNS)—British campaigners have won permission to make a high court challenge against the decision by the British Serious Fraud Office (SFO) to end the corruption investigation of BAE Systems bribery payments to Saudi Prince Bandar bin Sultan for their huge arms deals with Saudi Arabia, the *Guardian* reports today. The Campaign Against Arms Trade (CAAT) and the Corner House held that the SFO decision in December 2006 to end the investigation was unlawful under the OECD's anti-bribery convention. Britain signed the convention in 1997, the *Guardian* reports.

The campaign groups made the case that the SFO's decision did not take account of the security implications of *not* carrying out the investigation. The paper quotes Lord Justice Moses saying that "matters of concern and public importance" had been raised and the challenge "cries out for a hearing."

Scottish National Party Sets Date for Independence

Nov. 14 (EIRNS)—Alex Salmond, the First Minister of Scotland, for the first time today, set a target date for Scottish independence from the United Kingdom, according to *The Scotsman*. Salmond said that he anticipated that Scotland would break away from the UK by 2017.

The context for the announcement was the presentation of the Scottish National Party's first budget in government. The 42-page document outlines a strategy to bring Scotland's economic growth rate up to that of the UK by 2011. This could be done with Scotland as a part of the UK, Salmond maintained. However, Scotland would need the full powers of independence to achieve all of the targets in the document.

Russia and the CIS News Digest

Asymmetric Response: Russian Cruise Missiles in Belarus?

Nov. 15 (EIRNS)—Russian and Belarusian military commanders have warned that emplacement of Russian short-range nuclear missiles, the 500-km "Iskander," in Belarus could be an asymmetric response to the U.S. forging ahead with anti-ballistic-missile (ABM) systems in Poland and the Czech Republic. Gen. Col. Vladimir Zaritsky, commander of missile and artillery in Russia's Ground Forces, said yesterday that such a deployment would be an appropriate reaction to the U.S. moves, adding, "What the Motherland needs will be done." In a separate statement, Gen. Mikhail Puzikau, who holds the equivalent post in the Belarusian Armed Forces, said that Minsk intends to purchase the Iskander in its shorter-range export version, in any event.

As *EIR* reported on June 15, forward deployment of the Iskander has been under study for some time, as a response to the strategic threat to Russia from the planned systems in Eastern Europe. Russian President Vladimir Putin, in coordination with former President George H.W. Bush, former Secretary of State Henry Kissinger, and others, moved earlier this year in negotiations with President George W. Bush at Kennebunkport, Maine, to shift the ABM agenda away from such a

showdown, towards Russian-American cooperation on missile defense.

These statements from military men came as Russian Chief of the General Staff Yuri Baluyevsky was in Brussels for discussions with NATO chiefs of staff, on the ABM issue. Last week, several Russian Foreign Ministry officials warned that the United States had not followed through in writing, on verbal proposals made by Secretary of State Condoleezza Rice and Defense Secretary Robert Gates in Moscow last month, regarding the ABM issue. "We have not received any clear explanations from our U.S. partners," Foreign Minister Sergei Lavrov said on Nov. 7. The next day, Russian Foreign Ministry North American Department chief Igor Neverov said that Moscow wanted to see written proposals, before the next working group meeting on ballistic-missile defense, late this month. A Russian diplomatic source told *Nezavisimaya Gazeta* (Nov. 12 issue) about concerns that the "innovative and bold ideas" Gates and Rice had shared, in furtherance of the Kennebunkport process, would be thrown out by others in Washington, who don't agree with them.

Lavrov and Deputy Premier Sergei Ivanov each had a meeting with Kissinger in Moscow last week, where he was attending a conference on the 200th anniversary of Russian-American diplomatic relations. Kissinger also spoke by phone with Putin.

Russian Warns U.S. Against 'Same Mistake as Truman'

Nov. 16 (EIRNS)—Former Ambassador Anatoli Adamashin, a senior Russian diplomat, today warned a Washington conference on the 50th anniversary of Sputnik, that the proposal to station components of a U.S. ballistic-missile-defense system in Poland and the Czech Republic has created "the most difficult question in our relationship." Departing from his prepared remarks, Adamashin said that some people in Washington "say the Russian response is exaggerated or paranoid." But Russians "have a longer memory of what happened during the Cold War."

The Cold War, he stated, was produced by the "breakthrough in atomic energy, and the great temptation to use it." Then, the Soviet leadership "repeated the same error of Truman," by provoking the Cuban missile crisis, believing nuclear missiles were "the ultimate arms." This "historical memory urges us not to make the blunders of the past," he counseled.

The Czech radar, he said, leads to suspicion in Russia that the U.S. is preparing a first strike, which could lead "our people in Russia to prepare to make a first strike to prevent an attack." The ambassador's remarks were echoed by Susan Eisenhower, the late President's granddaughter, who said that people do not understand how fragile the current U.S.-Russian relationship is, and that if the missile-defense negotiation process "really goes south," the U.S. and Russia "stand to lose a lot of the cooperation," most notably in civilian space exploration, "and this is unacceptable; the Cold War is over."

Asked by a member of the audience what can be done, Adamashin said, "Make us an offer we can't refuse." He recalled that after announcing his SDI proposal, President Reagan wrote to three successive Soviet leaders, calling for a joint ban on space weapons, but did not receive a reply. The previous evening, at a Russian Embassy reception celebrating 200 years of Russia-U.S. diplomatic relations, the ambassador was reminded by *EIR*'s Bill Jones that as late as 1987, President Reagan, as recorded in his memoirs, was still trying to engage the Soviet leadership in a joint missile-defense system.

Russian Space Program Sees Start of 'Renaissance'

Nov. 16 (EIRNS)—After the 1990s near-collapse of the Soviet space program, when "free market" economic policies nearly destroyed a half-century of Russian scientific and technical patrimony, President Putin's personal support has started a "renaissance" in the civilian space sector, Russian space experts reported today at a conference in Washington.

Academician Lev Zelyony, director of the prestigious Russian Space Research Institute in Moscow, told the conference on

Sputnik's 50th anniversary, that after the "decay of the Soviet Union, we had a bad time, in the 1990s." Very few space missions were started, and science was suffering. The loss of the Russian Phobos mission to Mars in 1989 was a blow to the space science programs. In private conversations, he said that that mission had lacked proper support. More recently, he reported, the problem was compounded following the loss of the Space Shuttle Columbia in February 2003, when Russia was called upon to supply all of the transportation to and from the International Space Station. "Space science was cut, as 50% of the budget had to go to manned space flight."

But Russia is now planning new space science missions for the second 50 years of the space age, including exploring new physics hypotheses from space, exploring the question of the origin of life, and life beyond the Earth. But, he reminded the audience, "we are not going into space just to do science." There is a "heritage in Russian philosophy" that is not just "pragmatic," reflected in the space program, from [Konstantin] Tsiolkovsky, Vladimir Vernadsky, and [Soviet "chief designer" Sergei] Korolyov."

Four Projects To Get Investment Fund Backing

Nov. 17 (EIRNS)—A Russian government commission chaired by the new Minister of Regional Affairs Dmitri Kozak, meeting Nov. 15, approved 1.223 trillion rubles (close to \$49 billion) of state financing for four megaprojects, out of which 422 billion rubles will come from the government's investment fund. This brings to 16 the number of projects that will receive Investment Fund financing. After many debates, a portion of Russia's oil export revenues, hitherto sequestered in a stabilization fund to be invested in foreign markets, is being allocated to the investment fund, which was set up in 2005.

The projects approved for funding this week are the Industrial Urals-Arctic Urals resource development scheme, the Southern Yakutia Comprehensive Development program, part of a toll road superhighway between St. Petersburg and Moscow, and high-speed rail between St. Petersburg and Helsinki, Finland.

Putin: Russia Needs High-Speed Urban Transport

Nov. 17 (EIRNS)—On Nov. 14, Russian President Vladimir Putin presided over a session of the Presidium of the State Council, held in Krasnoyarsk, Siberia, on the topic of transport infrastructure. In addition to the recently affirmed ambitious railroad-building program, Putin focussed on the need for better air transport facilities. Russia is building up Krasnoyarsk as a transshipment hub, going so far as to quarrel with the major shipper Lufthansa Cargo, in an attempt to force Lufthansa to use Krasnoyarsk rather than Astrana, Kazakstan. Putin also pronounced the problem of the ever-worsening road traffic congestion in Moscow to be completely solvable. "Our megalopolises are literally 'choking' at rush hour because of the lack of surface transport," said Putin. "The solution is obvious: we need comprehensive programs to develop suburban and urban passenger transit. And special emphasis should be placed on off-street, high-speed transport, such as subway trains and high-speed trolleys."

Southwest Asia News Digest

Saudis Warn: Cheney's Iran War Is On

Nov. 15 (EIRNS)—Extraordinary comments from leading Saudi figures were reported in the Nov. 15 French daily *Le Figaro*, indicating that these figures, including Saudi Prince Bandar, know that an attack on Iran by the Cheney-Bush Administration is "on." The headline reads, "Riyadh Worried About an American Attack Against Iran," followed by the subhead, "Fearing retaliation from Tehran on its oil installations, Saudi Arabia has made a rapprochement towards Moscow, whom the Iranians listen to in this nuclear crisis."

After having supported diplomacy, the Saudi officials seem "resigned to the inevitability of the American war against Iran," writes *Figaro's* special envoy to Riyadh. "We are coming closer and closer to a confrontation," says Abdel Mohsen Hakas, the Saudi minister of social affairs. Prince Bandar's right-hand man, Rihad Massoud states, "The tone of George Bush makes us think that he has decided what he wanted to do."

While the Saudi monarchy is officially opposed to a new conflict, it will tacitly support one, if it ignites, because it fears the growing Iranian influence, and especially because they fear the Iranians would retaliate against their oil installations. "If the Iranians want to hurt the U.S., they will seek to block our oil provision lines by attacking the terminal of Abqaiia or the Ras Al Tannoura refinery." These fears have apparently led to the extreme prudence of Saudi diplomacy on Iran. Even though the French and the British are pressuring the Saudis to join their move for increased sanctions against Tehran, the Saudis are rather insisting on potentially successful outcomes of Russian mediation.

"But," says Rihad Massoud, "the Russians told us that the ambiance in Tehran reminded them strangely of the atmosphere in Baghdad in the months that preceded the 2003 war."

China Tries To Derail Iran War, Pulls Out of Talks

Nov. 16 (EIRNS)—Moving quickly to counter the attempts by the United States, Britain, and France to reach a consensus on further sanctions against the Islamic Republic of Iran, China has pulled out of the London talks which had been scheduled for Nov. 19.

In what has been interpreted by the nations supporting sanctions against Iran as an indication that China will not risk its own economic interests there by backing additional UN sanctions, it was confirmed that China had called off its attendance at the planned meeting of officials from the "P5+1" group, the five permanent members of the UN Security Council plus Germany. A British Foreign Office official told Times Online on Nov. 16 that, unless a "miracle" happened over the weekend, the meeting was now unlikely to take place. Chinese Foreign Minister Yang Jiechi arrived in Tehran on Nov. 13, ostensibly carrying a message that China supports Iran's right to nuclear energy and expects Iran to work with the IAEA (International Atomic Energy Agency). "China also hopes all parties show flexibility and make its due efforts to the peaceful resolution of the issue," Chinese foreign ministry spokesman said.

The United States recently imposed its own unilateral economic sanctions and has not ruled out military action against Iran. Britain has been pushing hard for a third round of UN sanctions, including restrictions on energy and financial investments in Iran. A group of British MPs is in Tehran holding talks with Iranian officials.

The Nov. 19 meeting was planned to discuss a third round of UN sanctions against Iran, after it was confirmed by the IAEA that Iran had reached a landmark 3,000 operational centrifuges.

On Nov. 18, the *Washington Post* reported that U.S. and European officials are now more worried about a Chinese veto than one from Russia, and that these Western officials charge that China is stalling any action in order to protect its economic interests in Iran.

House Panel Warned of Danger of Attack on Iran

Nov. 15 (EIRNS)—On Nov. 14, the House National Security Subcommittee, chaired by Rep. John Tierney (D-Mass.), held its third hearing on Iran, this time focussing on whether there are any military options there. The witnesses included: Col. Larry Wilkerson, former chief of staff to Colin Powell; retired Air Force Col. Sam Gardiner; retired CIA analyst Paul Pillar; and retired Marine Lt. Gen. Paul Van Riper. The testimony of the four witnesses confirmed that if the U.S. carried

out military strikes against Iran, the result would be a strategic blunder even worse than the U.S. invasion and occupation of Iraq.

Wilkerson said the result would be "disastrous," and argued that such strikes would spur the Iranians to accelerate their nuclear program, and would rally the population behind the government. The U.S., he said, would gain very little from a military campaign against Iran and, instead, "we would reinforce strategic failure." Gardiner identified the potential military targets in Iran, and concluded that in every case, from Revolutionary Guard formations, to alleged terrorist camps, to nuclear facilities, the effectiveness of air strikes would be limited, and would put the U.S. on the road to a war it could not end.

In discussion with *EIR* before the hearing started, Gardiner emphasized that once such a war starts, there's no way out.

Paul Pillar warned the panel that "Iranians would consider any action aimed at crippling Iranian nuclear capabilities as an act of war," and that Iran could be expected "to respond appropriately, in ways of its own choosing, and at times and places of its own choosing." He said that the most likely Iranian response would be in the realm of asymmetric warfare, and while it is presently hard to attribute any one act of violence in southern Iraq to Iran, "Tehran would have far less reason to exercise restraint" following U.S. military strikes.

Van Riper argued that Bush Administration has no comprehensive understanding of the complexities of international relations, or of the consequences that can occur when military force is used. "Our nation's leaders should be more humble when forecasting the results of specific actions in the international arena," he said, including when they contemplate confronting Iran, or any other nation, with military force.

U.S. Officers: We Have To Review Iraq Strategy

Nov. 15 (EIRNS)— According to a Nov. 15 *Washington Post* front-page article by Tom Ricks, author of the book *Fiasco*, dozens of U.S. military officers are expressing concern over the Iraqi government's failure to capitalize on sharp declines in attacks against U.S. troops and Iraqi civilians. Ricks quotes Army Lt. General Raymond T. Odierno, the commander of day-to-day U.S. military operations in Iraq, saying, "A window of opportunity has opened for the government of Iraq to reach out to its former foes, but it's unclear how long that window is going to be open."

This lack of political progress calls into question the core rationale behind President Bush's troop surge, announced in January of this year, which was premised on the notion that improved security would create space for Iraqis to arrive at new power-sharing arrangements. Asked what will happen if there is no such breakthrough by next Summer, Odierno replied, "If that doesn't happen, we're going to have to review our strategy."

Brig. Gen. John F. Campbell, deputy commander of the 1st Cavalry Division, complained last week that Iraqi politicians are out of touch with reality in the country. Some U.S. Army officers now talk more sympathetically about former insurgents than they do about their ostensible allies in the Shi'ite-led central government. Army Lt. Col. Mark Fetter said of the Sunni fighters, who for years bombed and shot U.S. soldiers, and now want to join the police, "They have got to eat.... There are so many we've detained and interrogated, they did what they did for money."

Republicans are looking to dump Iraqi Prime Minister Nouri al-Maliki to give them cover in an election year. Sen. Lindsay Graham (R-S.C.), who staunchly supported Bush's Iraq troop surge strategy, said he is disappointed with the political reconciliation efforts in Iraq, and is considering alternatives to Maliki's government if the country does not make strides toward that goal. Graham told *The Hill*, "If his government has not delivered meaningful political reconciliation by the end of the year ... I will consider Maliki's government a failure, and then we look for other horses to support."

Asia News Digest

Stung by High Oil Prices, ASEAN Ready To Go Nuclear

Nov. 14 (EIRNS)—According to a draft of a Declaration on Environmental Sustainability, issued by the Association of Southeast Asian Nations (ASEAN) and obtained by AFP, Southeast Asian leaders will promote the use of civilian nuclear power, along with other alternative energy sources, when they meet in Singapore next week.

Heads of state and government from ASEAN's member states Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam are to sign the document on Nov. 20, during their annual summit.

While, according to the draft, the leaders will agree "to take concrete measures to promote the use of renewable and alternative energy sources," more importantly, they will support "civilian nuclear power" for interested countries. The draft says ASEAN will ensure "safety and safeguards that are of current international standards and environmental sustainability." They will also set in motion a plan to establish a "regional nuclear safety regime" to ensure that plutonium, a key ingredient for making atomic weapons, does not fall into the wrong hands.

Indonesia, Thailand, and Vietnam have announced plans to build nuclear power plants by 2020, in a bid to cut their dependence on crude oil and natural gas.

British, Neocons Openly Promote Chaos in Pakistan

Nov. 16 (EIRNS)—Having succeeded in reactivating the neocons in Washington on the Pakistan issue, London is now demanding unrest and chaos as a necessary weapon to dethrone President Pervez Musharraf and weaken the Pakistani Army. On Nov. 15, Jemima Khan, former wife of fringe Pakistani politician Imran Khan, who has been detained following the declaration of state of emergency on Nov. 3, has launched what is styled as the Free Pakistan Movement (FPM), with the support of journalists, students, lawyers, doctors, other professionals, and prominent political persons of Pakistani origin living in the UK.

Jemima Khan is the daughter of the late Anglo-French businessman and British establishment figure, Sir James Goldsmith. It is evident that the FPM, which has attracted many big names in Britain, will provide British intelligence (MI6) a clear path to intervene in Pakistan's internal situation.

In addition to the Free Pakistan Movement, Prime Minister Gordon Brown said on Nov. 14 that the British government would promote a propaganda campaign, to promote "democracy" in Pakistan. Announcing an allocation of £400 million to fund the program, Brown said: "Building on initial road shows of mainstream Islamic scholarship around the country, which have attracted over 70,000 young people, and an internet site which has reached far more, we will sponsor at home and abroad, including for the first time in Pakistan, a series of national and local events to counter extremist propaganda."

Indian Government Scored on Electric Power Deficit

Nov. 16 (EIRNS)—The Indian daily *Business Standard* today cited the failure of Prime Minister Manmohan Singh's coalition government, the United Progressive Alliance (UPA), to provide the country with adequate electric power. Power-starved India's peak deficit touched a ten-year high of 14.6% between April and October 2007. This shortfall was not simply due to added demand, but worse-than-usual capacity addition.

The addition of 3,765 megawatts capacity in the first seven months of the financial year to March 2008, was just 32% of the target, *Business Standard* reported, citing official figures. Worst hit are industrialized states like Maharashtra and Gujarat in western India, where the region posted a peak shortage of 26.6% in October, the paper said.

India, under the present administration, is being inundated with foreign money, most of which is simply parked in Indian financial markets for making quick profits. India boasts of more than \$250 billion of foreign exchange reserves and a GDP growth rate close to 8.5%. And, yet, when it comes to using the money to build such vital sectors of physical infrastructure as the power sector, the government chooses not to do so.

Business Standard pointed out that the government chose to scale down its expected power capacity addition in the current year to 12,000 megawatts from 17,000 megawatts. "We may actually add no more than 10,000 megawatts this year," the newspaper quoted an unnamed power ministry official as saying.

China Hit by Subprime Crash

Nov. 16 (EIRNS)—China could be hit harder than predicted by the effects of the subprime crisis on world finance, and the impact of the crash on Chinese finance needs to be revalued, the influential *China Securities News* warned today. Even more important, China's huge foreign reserves of \$1.43 trillion are in danger, with the dollar weakening as the Federal Reserve lowers interest rates. Already the dollar has fallen more than 5% against China's international currency, the renminbi, to now about 7.45 RMB to the dollar.

So far, the China Investment Corporation, the newly created fund whose source is Chinese foreign exchange reserves, lost some \$741 million on the books on Nov. 14, right after buying a \$3 billion, four-year stake in the notorious U.S. private equity operation, Blackstone Group.

Other Chinese investors are losing money fast on their international investments. Of the \$10.9 billion invested overseas under the Qualified Domestic Institutional Investors (QDII) program, launched in April 2006, four QDII funds alone have lost some \$847 million. Bank-linked QDIIs have been hit just as hard, the *Securities News* reported. These two problems alone could cost China billions of dollars. The crash in yields on U.S. treasury bonds will also hit China's financial earnings.

No exact figures of the losses Chinese banks have suffered have been published, the *Securities News* reported, but it is known that, as of the end of August, China's three listed State-owned commercial banks,— the Industrial and Commercial Bank of China, the Bank of China, and the China Construction Bank, had also registered a loss of 10 billion yuan.

Inflationary Pressures in China

Nov. 12 (EIRNS)—The People's Bank of China has raised the reserve ratio requirements for banks for the ninth time this year alone, to 13.5%, in an effort to curb the excessive liquidity in the economy. The Chinese currency, the yuan, has been rising at an accelerating rate against the collapsing U.S. dollar in recent weeks. There is heavy pressure on the Chinese government to up-value the yuan, and "hot money," speculating on a yuan revaluation, continues to flow into China. This external pressure, including China's continuous trade surpluses, are exacerbating internal inflation.

The liquidity excess is worse than the PBOC had expected in October, and therefore the central bank raised the reserve requirement ratio for commercial banks to a ten-year high, Peng Xingyun, a senior researcher at the Chinese Academy of Social Sciences Institute of Finance and Banking, told Xinhua yesterday. Analysts at the Industrial and Commercial Bank of China, the biggest bank, are warning that the liquidity will flow into the existing real estate and stock market bubbles,

and predict that the reserve rate will be up to 15% by next year. Peng said that the "PBOC raised the reserve requirement ratio before it released October's money supply and other financial statistics next week, as it is concerned about the excessive liquidity and credit increase." By end September, PBOC figures showed an 18.5% increase in M2—cash in circulation and all deposits, year on year, up to 39.3 trillion yuan (\$5.2 trillion).

Africa News Digest

South Africa, Zimbabwe Cooperate Against 'Regime Change'

Nov. 16 (EIRNS)—A statement released at a meeting of the joint South African-Zimbabwe Joint Permanent Commission on Defense and Security said the two countries will work together against the policy of "regime change" in the countries of southern Africa. Released yesterday, the statement said, "The commission resolved to exchange information on those forces, internal and external, which through misinformation and disinformation are bent on undermining the process."

The meeting was held in Vanderbijlpark, South Africa/ South African Defense Minister Mosiuoa Lekota said southern African countries faced a "very real challenge" of regime change encouraged by foreign powers, according to a SAPA release in yesterday's *Mail and Guardian*.

Zimbabwean Defense Minister Sydney Sekeramayi accused Britain of being the chief architect of the regime change policy against his country. He thanked South African President Thabo Mbeki for mediating the crisis between the ruling Zanu PF and the opposition Movement for a Democratic Change. "It would not come as a surprise if Britain, the chief architect of regime change agenda in Zimbabwe, makes a last ditch attempt at derailing the talks."

Lekota also called on the countries of the Southern African Development Community (SADC) to use their influence in the African Union to address the dangers of the newly established United States African military command, known as Africom.

"We also have to manage Africom, which threatens our sovereignty," Lekota said, and warned of the "growing danger" of private security companies. "This is a complex area because it's difficult to legislate against it. We need to share information so that we can at least keep an eye on what these companies are doing."

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