

[return to home page](#)

LaRouche's Assessment:

There Is Virtually No Candidate for the U.S. Presidency

by Nancy Spannaus

In two statements issued in light of the recent Democratic and Republican Presidential nominating conventions, Lyndon LaRouche has sought to shock the American electorate into confronting, and acting on, the stark reality it faces. "The inside information is, contrary to anything different that only foolish people might believe, that both putative Presidential candidates are now doing nothing as much as losing the general election," LaRouche wrote in a Sept. 2 statement he entitled "In Effect, There is Virtually No Candidate." "The voters are panicked by the state of the economy, on which neither of the two has a clue, or is likely to ever discover a clue...."

In-Depth articles from EIR, Vol. 35, No. 36

...Requires Adobe Reader®.

Feature

- **LaRouche's Assessment:**

- **There Is Virtually No Candidate For the U.S. Presidency**

- The stated policies of the Presidential candidates are fairly described as 'duck-billed platitudes,' cries worthy of strange creatures of the type to be expected from putative Beaverbrook heir Rupert Murdoch, from 'way down under.'

- **We Face a Dangerous, But Optimistic Time**

- **Harley Schlanger**, the Western States Coordinator of the LaRouche Political Action Committee, was interviewed by the French weekly *Nouvelle Solidarité*.

- **George Soros, Britain's Imperial Torpedo**

International

- **A Rudderless World:**

- **Focal Point of the Global Crisis: Pakistan**

- **by Helga Zepp-LaRouche**

- Pakistan is now the primary target of British destabilization, and this is having an enormous effect on Afghanistan, and India's security, and in the medium term, on Iran.

- **Anwar Ibrahim:**

- **British Empire Tool To Recolonize Malaysia**

Economics

- **Actual Production, Not Parasites, Is the Solution**

When the world's largest bond speculator and the British Empire's Royal Institution of Chartered Surveyors both feel compelled to call for governments to bail out the financial markets, you know things are not going well.

- **'The Machine-Tool Principle':**

- Revive LaRouche's Economic Recovery Act**

- **For Economists, Legislators, and Labor:**

- Emergency Legislation, Now!**

Now, more than ever, the LaRouche PAC's proposed legislation, 'The U.S. Economic Recovery Act of 2006,' must become the basis for a mobilization to rebuild the economy.

- **CFTC Oil Data Confirm LaRouche Forecast**

- **The Isotope Economy:**

- Producing More and Better Food with Nuclear Isotopes**

In the early days of the U.S. Atoms for Peace program, scientists realized that nuclear fission could be harnessed for all sorts of beneficial applications, from desalinating water to breeding better plants and disinfecting food crops.

History

- **The American Roots of Germany's Industrial Revolution**
by Helga Zepp-LaRouche

Chancellor Otto von Bismarck led Germany to become an economic powerhouse, modeled on the American System of economy, as taught by Henry Carey and Friedrich List. This story has been blacked out of the history books—in Germany and everywhere else.

Book Review

- **The FDR Jobs Program That Saved the Nation**

American-Made: The Enduring Legacy of the WPA—When FDR Put the Nation to Work, by Nick Taylor.

Editorial

- **'Tantamount to Treason'**

U.S. Economic/Financial News

- This Winter, It's Food or Fuel for Many**

- U.S. Subprime Housing Crisis Continues**

Post-Katrina: No Reserves of Electricity Spare Parts

This Winter, It's Food or Fuel for Many

Sept. 5 (EIRNS)—The latest estimate for the expected price per gallon of home heating oil this Winter is \$4.35, up from \$3.31 last year, according to the U.S. Energy Information Agency. Even last year's heating bills were already impossible to pay for millions among the 10 million homes heated by fuel oil across the United States, most in New England. There, emergency legislative and local meetings have been taking place for stop-gap action to deal with the crisis.

On average, a wood-frame Northeastern home last year required at least \$3,000 a year to heat, but now faces a bill of \$7,000. Homeowners are anguishing over signing an annual contract to lock in a price; pro-rate monthly payments; or wing it, and buy "as needed," gambling on the price. Many, last year, resorted to loans, credit cards, equity lines, etc, and exhausted those. Now, it's "food or fuel."

All the governors of New England recently asked the Federal government to set aside \$1 billion for the Winter for aid to states to defray fuel expenses for low-income households.

In Connecticut, where heating oil is at around \$4 a gallon right now, up from \$3.40 or so a year ago, Rep. Chris Murphy (D) announced yesterday that he has sent a letter to President Bush asking him to release emergency funds from the Federal LIHEAP—Low Income Home Energy Assistance Program. Murphy intends to get other members of Congress to sign his letter. He is pushing for a tripling of LIHEAP funds nationally, for \$9 billion to cover the increase in prices. The current year, FY2008, LIHEAP had \$2.57 billion to spend; for FY 2009, Bush asked Congress to cut this down by \$500 million to only \$2 billion! Bush is currently sitting on \$100 million unallocated funds.

However, even if fully \$9 billion were thrown into the hyperinflationary maelstrom for this Winter, the problem would not go away. What is required is action to stop the gaming and speculation associated with heating oil, and other forms of vital petroleum fuels. All the familiar swindles are continuing in the world of both "paper" and real barrels, where commodities are transferred, hoarded by major players, and bet upon. The latest reports are that the cartel of U.S. refinery owners is operating below 90% capacity, so as to raise their profit margins even higher.

"Things have become unhinged from the fundamentals of supply and demand," is the description this week by Eric DeGessero, vice president of the New Jersey Fuel Merchants Association (smaller, independent heating oil suppliers, much of whose customer base cannot pay).

Oct. 1 is the official start-date for the 2008-09 heating season, and householder applications for state and Federal aid are up at least 20% across the board.

U.S. Subprime Housing Crisis Continues

Sept. 2 (EIRNS)—A Fitch report on the U.S. subprime mortgage crisis was covered under the headline in the *Financial Times* today: "Foreclosure fears grow as \$96 billion of risky loans come home to roost." In the next two years, more homeowners will pass the five-year limit for borrowing on relatively lenient terms. The stringent terms mean a 63% increase of payments, or \$1,053/month on average. In these Adjustable Rate Mortgages (ARM), borrowers are allowed to choose a low minimum monthly payment that often falls short of the interest due on the loan. The difference between the minimum and the full payment is added to the mortgage balance.

This ability to borrow more before having to start repayment is known as "negative amortization." After the five-year

mark, the loan terms are "recast" to ensure the full repayment of the loan. Late repayments and defaults on such mortgages are already running as high as 24% in some areas, Fitch said. Of the total outstanding ARM loans—\$200 billion—almost half are expected to be recast in the next two years, 29 billion until end of 2009, and 67 billion until end of 2010. Of those who took these loans, more than 80% are people with "limited proof of income," i.e., they should not have been allowed to take those loans.

Post-Katrina: No Reserves of Electricity Spare Parts

Sept. 6 (EIRNS)—Hundreds of thousands of electricity users are still without power this weekend in Louisiana, Arkansas, and elsewhere on the Gulf Coast, after Hurricane Gustav hit on Sept. 1. Tropical Storm Hanna cut off thousands more in a wide swath across the U.S. East Coast. Multi-state crews have been mustered to work overtime to restore power as fast as possible. These events throw a spotlight on a larger, national problem of lack of infrastructure.

Not only storm-response, but even routine maintenance anywhere in the United States is hampered by the fact that there is no longer any in-depth capacity to supply even the basic components essential for repair and replacement for electrical distribution systems.

For example, transformers: One Virginia engineer reports that, after Hurricane Katrina in September 2005, the restoration of the electrical grid on the Gulf Coast "sucked in" all the transformers and related spare equipment nationwide. The deficit was never made up. He said, "Since then, when we have some local transformer breakdown just from aging or accident, there is no guarantee we can get hold of a timely replacement. You might be lucky; you might not." In addition, to his knowledge, all transformers are now imported into the U.S.; none are domestically produced.

The September storms and power outages illustrate exactly the kinds of manufactured elements which are urgently needed for infrastructure maintenance as well as improvements in the United States. Mobilizing to produce what's required to meet all these needs is part of the mission announced by LaRouche PAC, for a Federal drive to tool-up to restore the agro-industrial capacity in the United States.

As of the peak of power outages following Hurricane Gustav, 1.1 million users were affected, mostly in Louisiana, Arkansas, and Texas. By midday today, 500,000 of these remained without power. In New Orleans, 40% of Jefferson Parish remained in the dark as of Sept. 5. For the hardest-hit coastal parishes such as Lafourche and Terrebonne, restoring electricity may take two weeks at least.

In the Eastern states, 44,000 people (out of 111,000 affected) remained without power this afternoon in North Carolina and Virginia, and several thousands more in the Delmarva (Delaware-Maryland-Virginia) Peninsula.

Global Economic News

China Levies 150% Export Tariff on Fertilizers

Allianz Unloads Dresdner onto Commerzbank

China Levies 150% Export Tariff on Fertilizers

Sept. 2 (EIRNS)—Starting today, China began to collect a 150% export tariff on nitrogenous fertilizer and synthetic ammonia, according to the Customs Tariff Commission (CTC) of the state council. This move is to ensure that domestic

demand for these fertilizers is satisfied.

This special tariff and the 100% special tariff on other fertilizers will last through the end of this year.

Originally, a special export tariff of 100% was placed on all fertilizers from April 20 through Sept. 30. During this period of high domestic demand, the tariff was meant to ensure that China could meet all its own food production needs.

The new tariff will affect countries Japan, which imports about half its fertilizer from China.

Allianz Unloads Dresdner onto Commerzbank

Sept. 1 (EIRNS)—Europe's biggest insurance company, Allianz, in a deal announced yesterday, has unloaded its banking operation, Dresdner, onto Germany's number-two bank, Commerzbank, for \$14.4 billion. Dresdner, one of Germany's oldest banks, has been an Allianz albatross since it purchased it in 2001.

Commerzbank's shares dropped 6.5% in early trading today. The London *Times* reported that Commerzbank would save some £1.9 billion by the time that the deal is completed, through "cost synergies"—referring in part to the 9,000 jobs that will be eliminated.

Allianz is to unload 60.2% of Dresdner this year, and the remainder in 2009. But the deal is not actually to be fully completed until 2018, the *New York Times* reports today.

United States News Digest

Soros Backs California Drug Decrim Ballot Measure

New York Times Escalates Attack on Rangel

U.S. Announces Dubious \$1 Billion Aid for Georgia

Will Palin Be Dumped?

Bush, Cheney Seek Permanent State of War

Soros Backs California Drug Decrim Ballot Measure

LOS ANGELES, Sept. 5 (EIRNS)—Drug-pushing financier George Soros has put \$1.4 million behind the passage of a ballot initiative in California, the misnamed Nonviolent Offender Rehabilitation Act, which will be on the November ballot as Proposition 5. The initiative is designed to keep drug users out of jail, if they accept drug treatment.

However, while promising rehabilitation, it actually favors continuing drug use, as it allows users to continue using drugs while in treatment. Actor Martin Sheen (who rescued his son from drug addiction) contributed an op-ed to the *Sacramento Bee*, in which he opposed the initiative, saying that Soros's bill would prohibit funding of ongoing drug testing, so that the offenders may continue using drugs, while avoiding incarceration. The initiative is being pushed as a measure to reduce

prison overcrowding.

This is the third time Soros has intervened in California to promote drug usage. In 1996, he donated nearly \$500,000 to support passage of the state's medical marijuana law, and \$1 million in 2000 to back Proposition 36, a "drug treatment" initiative. Soros's backing of Prop. 5 is part of his global offensive to promote drug use.

New York Times Escalates Attack on Rangel

Sept. 5 (EIRNS)—Yet another two-bit scandal has been launched against U.S. House Ways and Means Chairman Rep. Charles Rangel (D-N.Y.) on page one of today's *New York Times*.

The newest attack is that Rangel failed to report \$75,000 in income over 20 years, from a vacation home he owns in the Dominican Republic, which is rented out when he is not there—income which, if not "a wash" through depreciation and local taxes, would amount to less than \$3,800/year. Rangel said if he owes taxes, he will amend his tax returns, and pay them.

Yesterday, male model Craig Schley announced that he had collected 6,000 petition signatures to run as an Independent against Rangel in the Nov. 4 election.

These developments follow two scandals launched in July, targetting Rangel for leasing more than one rent-controlled apartment—a common practice in New York City—and for raising money from constituents for a Columbia University Center to encourage minority participation in government.

What underlies Rangel's new problems after 38 years in the House, is that in this financial cataclysm, the financial predators want Rangel—who sees himself as a Franklin Roosevelt Democrat—out of his powerful position. The hedge fund and private equity industry is targetting Rangel for getting his legislation passed in the House that would have taxed the earnings of managers of these "locust funds" at a 35% income tax rate, instead of the "capital gains" rate of 15% which they were enjoying. Rangel's tax increase on the locust funds passed the House 233-189, but was blocked in the Senate.

Under the U.S. Constitution, the creation of money originates in the House of Representatives, and all revenue bills originate in the Ways and Means Committee, making it the most powerful committee in the Congress. Repeatedly, chairs of this Committee who have opposed powerful financier interests have been driven out: Wilbur Mills (1957-74) was removed via a set-up affair with a stripper; Dan Rostenkowski (1981-94) was forced out in a concocted House Post Office scandal. The great American System President William McKinley, who was assassinated in 1901, had previously been chair of the Ways and Means Committee.

U.S. Announces Dubious \$1 Billion Aid for Georgia

Sept. 3 (EIRNS)—In a sleight-of-hand "gift" to the Republic of Georgia, on the eve of Vice President Dick Cheney's visit there, the Bush Administration today announced what it calls a \$1 billion aid package. The "package" involves much less than meets the eye—but the Administration expects that it will nevertheless be taken as a provocation against Russia.

In a press conference this afternoon, Secretary of State Condoleezza Rice and Deputy Assistant Secretary of State for European and Eurasian Affairs Matt Bryza said that the package consists of \$570 million by end of 2008, and a second phase of \$430 million in 2009. This will be directed to "ongoing humanitarian assistance," including dealing with displaced persons; physical reconstruction of infrastructure and facilities; and support for "Georgia's ongoing economic growth." It supposedly does not include military assistance.

But the funds will be taken from various ongoing assistance programs, including the Freedom Support Act, the Millennium Challenge Corporation, and the Overseas Private Investment Corp. (OPIC). Of the first phase, \$370 million would be "reprogramming" of existing funds, while \$200 million would require Congressional reauthorization of existing programs that have nothing to do with Georgia. The balance—\$430 million—would require funding by the new Congress and approval by the next Administration.

Bryza acknowledged that the Georgians did in fact attack Tskhinvali, South Ossetia, saying that the conflict "did not begin on August 7th with the attack on Tskhinvali by Georgia, which we do believe was a mistake." He claimed that the conflict actually began sooner, with "provocations" by South Ossetian militias.

Will Palin Be Dumped?

Sept. 2 (EIRNS)—Lyndon LaRouche has been telling you that nothing is fixed in stone in the midst of this great world crisis, and that includes the U.S. Presidential tickets.

Karl Rove's choice for John McCain's Vice President, Sarah Palin, may be the first to go. Amidst reports from such places as the London *Times* that GOP party elders "are in a state of high anxiety over Palin," London's *Financial Times* raises the possibility that McCain may have to dump Palin before the election, much as George McGovern had to dump Thomas Eagleton as his VP choice in 1972, when unsavory facts came to light. In an op-ed, "McCain's McGovern Moment," in the *New York Times* today, Gary Wills, a historian and Catholic social essayist, who got his start with William F. Buckley, calls upon Palin to withdraw immediately, and let McCain turn to a more experienced option, so the Republicans won't have to hold a second nominating convention, as McGovern did.

Bush, Cheney Seek Permanent State of War

Sept. 3 (EIRNS)—The Bush Administration is asking Congress to declare that the United States "remains engaged in an armed conflict with al-Qaeda, the Taliban, and associated organizations who have already proclaimed themselves at war with us." This language, a re-affirmation of the September 2001 Authorization for the Use of Military Force, by which Congress authorized the invasion of Afghanistan, is buried deep in a legislative proposal relating to legal procedures for Guantanamo prisoners, according to the Aug. 30 *New York Times*. It is another move to shred the Constitution and to box in the next Administration.

Sen. Arlen Specter (R-Pa.), the senior Republican on the Senate Judiciary Committee, warned that the Administration could use such language as "another far-fetched interpretation" to evade the law, as it did in using the 2001 Authorization to justify its warrantless wiretap program.

In an editorial published today, the *Miami Herald* urged the Bush Administration to leave the new war rules for the next President, or at least explain why it can't wait. The *Herald* puts in this same category, the Administration's proposed—and still secret—FBI guidelines. On Aug. 18, four Democratic Senators asked Attorney General Michael Mukasey to hold off on issuing the new guidelines, pending a public review. The Senators said the guidelines would allow the FBI to use "a variety of intrusive investigative techniques" without any evidence of wrongdoing. This could include "data mining" of commercial databases to create profiles on innocent Americans.

Ibero-American News Digest

LaRouche: Soros, Brits Unleash Narcoterrorist Violence in Mexico

Colombia's LaRouche Association Slams Soros Front Group

Brazil Launches 'Oil for Industrialization' Campaign

LaRouche: Soros, Brits Unleash Narcoterrorist Violence in Mexico

Sept. 2 (EIRNS)—The last two weeks of August saw a sharp escalation of drug cartel violence in Mexico, which Lyndon LaRouche today attributed to an intentional policy of the world's leading drug legalizer, George Soros, and his British strategic masters.

"It's Soros, it's the British," LaRouche said. "It's Soros—attacking the flank of the United States."

* On Aug. 26, dozens of heavily armed drug hitmen attacked an army base in the central state of Guanajuato—a first in Mexico.

* A week earlier, a dozen victims were decapitated by narcos in the northern state of Chihuahua, and a like number were eliminated in the state of Yucatan.

* On Aug. 27, hand-painted "narco-banners" showed up in plazas and on highway bypasses in five states, attacking President Felipe Calderón for allegedly siding with one of the drug cartels against another cartel, and listing the names of a half-dozen generals who are allegedly on the take from one of the cartels. The "narco-banners" were given prominent play in the media, contributing to an environment of institutional instability in the country, and adding grist to the mill of those who are calling for drug legalization, on the grounds that the war on drugs "can't be won."

* Various prominent opposition politicians are playing into the same British scenario, by demanding that Calderón be removed from office before any other issues can be addressed—i.e., "regime change."

To all of this, LaRouche again responded: "It's Soros." LaRouche went on to urge Mexico to act promptly to start building the Northwest Hydraulic Plan (PLHINO), a great infrastructure project which addresses the underlying economic issues that are creating insecurity in Mexico.

"The United States is in the processing of expelling up to a million or two Mexicans back across the border," LaRouche explained. "And a large part of that is going to be in the northwestern area of Mexico that the PLHINO would help. And the people they are going to throw over the border are going to be people who have agricultural backgrounds, in large degree, as family backgrounds. And therefore the obvious security question is: What employment are you going to have for these people? And if you are not going to get them employment, you're going to get *chaos*. How much is the chaos going to cost you? And therefore, the point is obvious. Nature has given Mexico a remedy, at least in part, for the threat of chaos coming from across the border.

"So the question is: How much is it going to cost *not* to build the PLHINO? What's the cost of social chaos and breakdown of the entire economy in the region?" LaRouche concluded.

Colombia's LaRouche Association Slams Soros Front Group

Sept. 5 (EIRNS)—The LaRouche movement in Colombia spoiled the plans of George Soros's Latin American Commission on Drugs and Democracy (LACDD), to launch the Colombian flank of its drive for drug legalization and mass addiction; they distributed 3,500 leaflets and e-mails with the LaRouche Association's demand, "Stop Soros and the British Project To Legalize Drugs!"

The LACDD, headed by three former Ibero-American Presidents—Colombia's César Gaviria, Mexico's Ernesto Zedillo, and Brazil's Fernando Henrique Cardoso—had intended to spearhead its legalization offensive with its splashy Sept. 4-5 conference in Bogota, opened by none other than Soros's personal drug legalization hitman, Ethan Nadelmann. Nadelmann, who is executive director of the Drug Policy Alliance, the leading drug legalization organization in the United States, has run Soros's international war for legalization full-time since 1994, when he set up the Open Society Institute's drug-pushing unit, the Lindesmith Center, for Soros.

The LACDD's stated mission is to draft a paper to be submitted to the March 2009 global strategy meeting of the UN Commission on Narcotic Drugs, which it states from the outset will oppose "U.S. repressive strategies" against drugs, in favor of "the European model" of decriminalization. The choice of Bogota for the conference was no accident, given President Alvaro Uribe's successful offensive against the narcoterrorist FARC and his adamant opposition to drug legalization.

While local media willingly publicized Soros's pro-drug stance, the LaRouche Association gave the Soros traitors some publicity they would rather not have had.

"The activities of this Commission represent a national security threat, a danger to world peace and, in particular, a crime against the youth of every nation of the world. Governments should shut down the activities of this Soros group," the LaRouche Association statement reads. The statement began circulating throughout the continent Sept. 3.

LaRouche Youth Movement organizers in Bogota got out 1,200 leaflets at the national Congress and the Mayor's office. The Association sent out the statement via 2,300 e-mails to a list which hits every institution in the country.

Brazil Launches 'Oil for Industrialization' Campaign

Sept. 5 (EIRNS)—Brazil's discovery last year of vast offshore oil and gas reserves in geological formations some 7,000 meters deep, known as "pre-salt," has revived the best of the spirit of Brazilian *grandeza*—the idea that this nation should be a scientific and technological leader in the world. What is worrisome to British agent George Soros and his ilk is that President Lula da Silva is leading a campaign against leaving these new oil reserves to the whims of the market, and demanding that they be used to industrialize Brazil. This policy, if carried through, would begin to reverse the destructive policy of privatization.

Financier interests aren't happy that Lula is reviving the nationalist slogan *O Petroleo E Nosso* ("The oil is ours"), adopted in the 1950s by Franklin Delano Roosevelt's friend President Getulio Vargas. Lula has given at least three speeches this past week, with the message: "The oil does not belong to Petrobras, or to Shell, but to 190 million Brazilians." We must decide now how the money from the new reserves is to be used, Lula said, or "the same old people, the ones who always win everything, are going to get hold of that money before it gets to the noble ends which we want for the country."

Since Brazil's state oil company, Petrobras, was half-privatized by Lula's predecessor, Soros toady Fernando Henrique Cardoso, it is today 49% owned by private interests—with Soros buying \$800 million worth of Petrobras stock just last month. Raising the possibility of handing the new oil finds to a new, wholly state-owned company, Lula set up an inter-ministerial commission which is to recommend changes in the oil law within 60 days.

The commission is mandated to accomplish three things: Its recommendations must ensure that Brazil will not remain an exporter of crude, but of refined petroleum products; that income from the new reserves must pay the nation's "social debt," including achieving a 21st-Century education, which involves science and technology; and it must solve the problem of poverty.

We should not forget the "Brazilian miracle," when for 30 years Brazil led the world in growth, Lula said on Sept. 2. Yet, when was the last time that a steel furnace was built in Brazil? Twenty-two years ago. The last large cement plant? Eighteen years ago. A whole generation of Brazilians have never known growth, the President stated.

The oil was discovered due to the great engineers of Petrobras, he told a meeting of 80 university deans on Sept. 3, and therefore we must use this oil to create "more geniuses," so we can stop being an exporter of only minerals or soy.

Western European News Digest

Italy's Diplomacy Draws Praise from Russia

Germany's *Spiegel* Exposes Saakashvili, Cheney

Frattoni Tells Saakashvili To Renounce Force

Italy-Libya Colonial History Put to Rest

French Inspired by 'Chinese Methods' in Africa

Berlusconi Shifts Against Tremonti on Crisis

Sarkozy in Syria: Mediation for Peace, Economic Cooperation

Pound Sterling Still Sliding; Darling Blamed

Italy's Diplomacy Draws Praise from Russia

Sept. 6 (EIRNS)—Italian Foreign Minister Franco Frattini left Moscow Sept. 4, with Russian backing for his plan to have humanitarian missions deployed in South Ossetia. Frattini was to present the results of his trip to Georgia and Russia, to the EU foreign ministers meeting in Avignon on Sept. 5, which has also taken up the proposal of German Foreign Minister Frank-Walter Steinmeier that a committee be established to determine who actually started the conflict in Georgia.

Frattini told journalists in Moscow, "It is in Russia's interest to show the devastation, in order to demonstrate how the Georgians were heavy-handed." Russian Foreign Minister Sergei Lavrov added, "I thank my colleague [Frattini] for the efforts taken to solve the Caucasus crisis," according to the Sept. 5 Italian daily *La Repubblica*. "Italy has played a constructive, reasonable, balanced role which Russia appreciates very much." Frattini, for his part, issued a statement which is viewed as a direct response to Dick Cheney, who said yesterday in Georgia that Russia is not a reliable partner. "Russia is a strategic partner of the European Union," Frattini said.

Germany's *Spiegel* Exposes Saakashvili, Cheney

Sept. 1 (EIRNS)—The current edition of the weekly *Der Spiegel* carries an exposé of the Georgian government as provocateurs and liars: "At the same time [that governments were preparing the EU special summit], several departments of the German government in Berlin began voicing doubts about the credibility of this presently most problematic friend of the West. The Georgian President [Mikheil Saakashvili] apparently attacked South Ossetia before Russian tanks arrived there through the Roki Tunnel, it is said. That has been told by military observers of the Organization for Security and Cooperation in Europe (OSCE), who were in Georgia. It is possible that their reports, which now leaked out of the OSCE center in Vienna, also included information about wiretapped phone calls of the Georgian leadership. Someone who is personally familiar with these reports summed up the assessment in the following way: 'Saakashvili lied 100 percent to all of us, the Europeans and Americans alike.'"

Frattini Tells Saakashvili To Renounce Force

Sept. 4 (EIRNS)—Italian Foreign Minister Franco Frattini was in Tblisi today, where he met President Saakashvili and Foreign Minister Tkeshelashvili. He told the Georgians that they must formally renounce the use of force, and pushed for the proposal to hold a conference in Rome on the Caucasus. The Georgians don't like that idea, and prefer a donors' meeting.

Italy-Libya Colonial History Put to Rest

Sept. 1 (EIRNS)—Italy has paid \$5 billion in reparations to Libya for its colonial rule, given back a statue of Venus, and signed a friendship pact, thereby becoming the first former colonial power to apologize to the Arab world for activities during the colonial period.

Italy is now Libya's biggest trading partner, importing gas via a pipeline to Sicily, and developing oilfields. The \$5 billion deal is anchored in the real economy, and will be paid over 25 years, through various projects (see below), including a highway from Egypt to Libya. According to the London *Financial Times*, "[Italian President Silvio] Berlusconi has set an important precedent in negotiating diplomatic energy deals."

French Inspired by 'Chinese Methods' in Africa

PARIS, Sept. 5 (EIRNS)—The French Secretary of State for Economic Cooperation had a brainstorming session with French diplomats and industry captains on Africa, in which China's approach to infrastructure was discussed, according to the periodical *Les Echos*. Among the proposals to develop French business on the continent, was the idea to follow some of the Chinese methods, notably "combined offers."

From the law firm of Simmons and Simmons, Christophe Asselineau said, "The Chinese propose to build bridges, power stations, and other infrastructure, in exchange for mining contracts." He explained, "The Europeans lend money to African nations, which then issue a public invitation to bid, while the Chinese deploy nearly a full Marshall Plan—they arrive with their money, their workforce, their infrastructure [projects] and leave with the natural resources." Without copying "exactly" the Chinese example, France also wants to go for "combined offers" based on consortiums. While it is now forbidden for EU countries to give "aid" in exchange for obtaining a "contract," there are ways to go around the legal obstacles.

Berlusconi Shifts Against Tremonti on Crisis

Sept. 3 (EIRNS)—In a interview given to the Aug. 21 issue of the right-wing weekly *Tempi*, Italian Prime Minister Silvio Berlusconi insisted that the world financial and economic crisis is not like 1929, and those who say so, are spreading panic and causing economic troubles. This is an attack against his own Economy Minister Giulio Tremonti, who has warned against precisely a new 1929. It could indicate a shift in the balance of power inside the government and in domestic politics. Even if it were known that Berlusconi does not share some of Tremonti's views, the prime minister had not dared, until now, to come out publicly against Tremonti, because of the latter's popularity and competence.

Sarkozy in Syria: Mediation for Peace, Economic Cooperation

Sept. 4 (EIRNS)—On an official visit to Syria, French President Nicolas Sarkozy, on Sept. 2, met with Syrian President Bashar al-Assad and other officials, followed on Sept. 3 by a meeting among Sarkozy, Assad, Turkish Prime Minister Erdogan, and Qatar Emir al Thani, which concentrated on the indirect dialogue between Syria and Israel.

In addition to diplomatic initiatives involving Israel and Darfur, French companies signed several economic cooperation protocols with Syria. Total, the oil and gas company, has signed three new contracts, and discussions have been opened for sales of airbuses to SyrianAir.

Pound Sterling Still Sliding; Darling Blamed

Sept. 2 (EIRNS)—"The pound's slump accelerated for a second day in London as traders abandoned British investments following [Chancellor of the Exchequer] Alistair Darling's [Aug. 29] warning that the economy is facing its worst threat for 60 years," the London *Daily Telegraph* reports today. Tory leader David Cameron said, "It is an extraordinary situation that we've got a Chancellor of the Exchequer effectively talking the economy right down." There seems to be a lynch mob forming in the City of London against Darling, from people who make him a scapegoat for the systemic collapse.

Russia and the CIS News Digest

Medvedev: U.S. Georgia Policy 'Not Quite Wise'

Simes, Lavrov Discuss U.S.-Russian Relations

CSTO Summit Warns of NATO Expansion

Putin Addresses Far East Infrastructure Build-up

Ruling Coalition Cracks in Ukraine

Medvedev: U.S. Georgia Policy 'Not Quite Wise'

Sept. 3 (EIRNS)—Russian President Dmitri Medvedev said that the strain in Russian-U.S. relations is due to the "not quite wise" U.S. policy in Georgia, in an interview with European television given in Sochi Sept. 2. His remarks, however, were carefully worded to allow for a resumption of normal relations with the U.S.A. According to the Kremlin transcript, Medvedev said, "I do not think that this is some kind of full-fledged, full-scale crisis, comparable with the Soviet period, but, nonetheless, there is strain.... It has come about as the consequence of a not quite wise policy that the U.S.A. pursued on the Georgian track.... The sooner our American partners figure out this issue, the better it will be for Russian-U.S.

relations. We, for our part, are prepared for them to be restored in the most cordial way; we are ready for full-format relations with the U.S.A."

Medvedev said the United States, "at some moment, had inculcated in the leader of Georgia the feeling that anything goes, the sense of impunity. It's as if he received a blank check to act in any way whatsoever. And what the outcome was, is quite evident. As of today, I think there is a certain level of annoyance in the U.S.A., that the virtual project called 'Free Georgia' has failed: The leader went bankrupt, the regime is close to a crisis, and the situation is tense."

Foreign Ministry spokesman A. Nesterenko and Foreign Minister Sergei Lavrov were also cautious in their comments on Vice President Dick Cheney's tour of the Transcaucasus and Ukraine. "All appeals to Tbilisi about the need to restore their undermined, so to speak, military capability, in no way contribute to stabilization of the situation in the region, and do not advance the realization of the Medvedev-Sarkozy six principles," said Nesterenko Sept. 3. Still, "Our assumption is that the leadership of the U.S.A. will look at the current situation differently, and will correctly evaluate what actions are necessary to take, in order to rectify this situation and return it to a normal, peaceful course."

On the eve of Cheney's arrival in Tbilisi, the Bush Administration announced a \$1 billion aid package to Georgia, comprised of funds for "ongoing humanitarian assistance" and "ongoing economic growth," but it is less than meets the eye. Much of the money is "reprogramming" of existing funds.

Simes, Lavrov Discuss U.S.-Russian Relations

Sept. 4 (EIRNS)—Dmitri Simes, president of the Nixon Center for War and Peace, in Washington, yesterday met Russian Foreign Minister Sergei Lavrov in Moscow for a discussion of Russian-American relations after the South Ossetia fighting. The Foreign Ministry announced that Simes reported to Lavrov about a new bipartisan initiative to present recommendations on Russia policy to the next U.S. President and Congress.

On Aug. 1, the Belfer Center at Harvard's Kennedy School of Government, and the Nixon Center in Washington, announced formation of a Commission on United States Policy Toward Russia, chaired by former Sen. Gary Hart (D-Colo.) and Sen. Chuck Hagel (R-Neb.). It will prepare policy recommendations for a new administration, and the public, concerning the U.S.-Russia relationship and "explaining why a constructive U.S.-Russia relationship remains critical." Simes, and Graham Allison of the Belfer Center, are co-directors.

Former pre-Presidential candidate Gary Hart publicly took issue with Obama advisors Tony Lake and Susan Rice at a foreign-policy seminar in Denver during the Democratic Convention. Rice and Lake advocated punishing Russia. Hart disagreed, saying that these Caucasus issues are "complex," and that one must understand 100 years of history, or even 300 years, to evaluate them.

Other members include three former U.S. Ambassadors to Moscow: the Hon. James Collins, Jack Matlock, and Thomas Pickering; former National Security Advisors Robert McFarlane and Brent Scowcroft; as well as Robert Blackwill, Gen. Charles Boyd, Richard Burt, Susan Eisenhower, Robert Ellsworth, Thomas Graham, Lee Hamilton, Carla Hills, Mark Medish, Sam Nunn, J. Robinson West, and Dov Zakheim. Also, insurance mogul Maurice "Hank" Greenberg, whose membership probably indicates he's paying some of the costs of the enterprise.

CSTO Summit Warns of NATO Expansion

Sept. 5 (EIRNS)—Today the summit of the Collective Security Treaty Organization (CSTO) took place in Moscow. Russian President Dmitri Medvedev conferred with the Presidents of Belarus, Armenia, Kazakstan, Kyrgyzstan,

Tajikistan, and Uzbekistan. It is the fifth anniversary meeting of the security-oriented Eurasian organization, all of whose members are also in the Community of Independent States (CIS). In a communiqué that expressed deep concern about the Transcaucasus conflict, launched by Georgia, and called for its resolution on the basis of the Medvedev-Sarkozy accords of Aug. 12, there were other strategic security-related points:

* Citing the serious potential for conflict in the CSTO zone, the leaders called on NATO members to weigh all the possible consequences of the eastward expansion of their alliance and the situation of new ballistic missile defenses at the borders of CSTO members. They also cited concern about the proliferation of medium- and short-range land-based ballistic missiles near the CSTO.

* They addressed the alarming situation in Afghanistan, particularly the threat of narcoterrorism, and advocated joint international efforts to strengthen anti-drug and financial security belts around that country. The statement pointed up the potential of CSTO-NATO cooperation against the narcoterrorist threat coming from Afghanistan and the stabilization of that country overall.

In his own statement, Medvedev responded to U.S. and EU accusations about a "disproportionate" use of force by Russia in response to Georgia's attack on South Ossetia: "Russia has and will advocate political and diplomatic settlement of disputes, but, when needed, we shall continue to be prepared to defend our own interests decisively." He called this the main lesson of the August events around South Ossetia.

Putin Addresses Far East Infrastructure Build-up

Sept. 3 (EIRNS)—Russian Prime Minister Vladimir Putin was in the Russian Far East port city of Vladivostok Sept. 1, for meetings on preparations for Russia to host the Asia-Pacific Economic Cooperation (APEC) summit in 2012. The agenda concerned the entire Eurasian orientation of Russian policy, and the government's commitment to restoring and expanding infrastructure in Russia's eastern regions.

Putin announced to a conference on APEC (Asia Pacific Economic Cooperation) summit preparations, that he has assigned First Deputy Prime Minister Igor Shuvalov to this task, as well as making him chairman of the State Commission on the Socio-Economic Development of the Far East and Transbaikalia, created last year.

For Vladivostok itself, funding of 284 billion rubles (over \$11 billion) has been earmarked for revitalizing transport and power infrastructure, and renovating 35 major plants and other facilities. A new connection, likely a bridge, will be built to Russky Island, where a new campus is being constructed to host the APEC event. Afterwards, this will become the permanent campus of an enlarged Far East Federal University, as a research and education center for the region.

Ruling Coalition Cracks in Ukraine

Sept. 3 (EIRNS)—Members of President Victor Yushchenko's "Our Ukraine" party today left the government coalition, as the Supreme Rada (parliament) voted on a series of measures to limit the powers of the President and enhance the role of the prime minister. The measures would restrict the President from being able to veto the choice of a prime minister, and would make it easier to impeach a President. The Yulia Tymoshenko Bloc (BYuT) voted with the opposition Party of the Regions in order to pass the disputed measures. Tymoshenko is the current prime minister. Yushchenko claimed that his coalition partner had thereby formed a new coalition.

Aggravating the situation are differences over how Ukraine should react to the crisis in Georgia. Tymoshenko's party refused to vote for Yushchenko-supported measures in support of Georgian President Mikheil Saakashvili in his conflict

with Russia, measures that Yushchenko was strongly supporting. If there is no resolution to the crisis within 30 days, parliament will be dissolved.

Southwest Asia News Digest

Israeli President: Perspectives on Syria and Iran

Palestinian Leaders Reject Bush/Olmert 'Lame Duck' Plan

Assad: Peace with Israel Possible

Cheney Link To Ergenekon Coup Plot Exposed

Senior U.S. Diplomats Warn of Imminent Hit on Iran

British Run Ethnic Destabilization of Iran

Israeli President: Perspectives on Syria and Iran

Sept. 6 (EIRNS)—Israeli President Shimon Peres made two important declarations at a conference of the Ambrosetti group in Italy. Regarding Syria, Peres "invited" President Bashar al-Assad to visit Israel, in the image of what Jordan's King Hussein and Egypt's President Anwar Sadat had done in the 1980s; and regarding, Iran, he said, "I do not support a military strike against Iran," while warning that Israel is prepared to carry one out if threatened by an Iranian nuclear weapon. Both declarations were made at a "debate" on Middle East policy, in which Peres was participating. The Ambrosetti conference is an annual event, and this year's is called "Intelligence on the World, Europe and Italy," held from Sept. 5-7.

Ambrosetti conferences, held since 1975, described by the *Financial Times* of London as a "mini-Davos," are off the record. This year's speakers include French President Nicolas Sarkozy and U.S. Vice President Dick Cheney, who just completed a Russia-bashing tour of Georgia and Ukraine.

Peres, who floated a call for Israel-Syria peace negotiations in April 2007, which was immediately supported by Lyndon LaRouche, pushed hard for negotiations between Israel and both Syria and Iran. Peres told reporters that, "I think the problem [with Iran] can be resolved not militarily but politically and economically," and that using a military strike would be "an error," reported Agence France Presse. But he also said that Iran's current government represents radicalism and religious fanaticism, and that neither Israel, nor the Arab world can accept Iran having a nuclear weapon.

About Syria, Peres said, "I think if President Assad will create a visit to Israel, or alternatively invite the prime minister of Israel to go to Damascus, we shall see a major change.... I believe the best way is to start with a meeting and then have negotiations." If this happens, "there could be a major change."

Palestinian Leaders Reject Bush/Olmert 'Lame Duck' Plan

Sept. 1 (EIRNS)—Palestinian National Authority President Mahmoud Abbas flatly rejected the piece of paper that Israeli Prime Minister Ehud Olmert put in front of him for an "interim agreement" between Israel and Palestine over a Palestinian

state. The meeting was a near disaster—the shortest one the two ever held—after all of U.S. Secretary of State Condoleezza Rice's emergency efforts. PNA senior negotiator Saeb Erekat told reporters that the piece of paper was unacceptable: "We want an agreement to end the occupation and establish an independent Palestinian state with Jerusalem as its capital," he told Associated Press. "President Abbas told Olmert that we will not be part of an interim or shelf agreement. Either we agree on all issues, or no agreement at all." EIRNS recently reported that informed sources said that Abbas would be signing his own death warrant if he accepted the shameful terms cooked up by the two lame-duck administrations—those of Olmert and Bush.

Assad: Peace with Israel Possible

Sept. 2 (EIRNS)—Syrian President Bashar al-Assad reiterated that peace with Israel was a real possibility, especially since Syria began indirect peace talks with Israel with the mediation of Turkey.

In an interview with France-3 television, Assad said: "Today there is a possibility of peace. But nonetheless, we cannot say that we are close to achieving peace. We are preparing for direct negotiations. When we reach that step, we will be able to say that we are approaching peace. Today, we can only say that we have opened the door to peace."

Assad said that direct talks could begin with backing from the U.S., France, and Turkey, but especially the United States.

Commenting on possible U.S. participation, he said, "Of course we have to wait for the new administration to know what its orientations are. Afterward we can speak of direct negotiations."

French President Nicolas Sarkozy, Turkish Prime Minister Recep Tayyip Erdogan, and the Emir of Qatar will meet with Assad in Damascus on Sept. 4.

Cheney Link To Ergenekon Coup Plot Exposed

PARIS, Sept. 2 (EIRNS)—Three major Turkish news websites ran an article written by Birol Bicer, a journalist of *Yeni Aktuel*, a center-left weekly, on the Ergenekon affair. Ergenekon is a terrorist gang with backing from Britain and neoconservative networks internationally (see *EIR*, Aug. 1 and Aug. 15, 2008). The article is built around *EIR*'s exposure of the Cheney connection to the NATO/Gladio apparatus that staged a coup attempt earlier this year, and targets Richard Perle, the American Enterprise Institute, and other neocon think tanks for being favorable to the new "strategy of tension." Bicer picked up translations of *EIR* material posted on the French Solidarité et Progrès website, quoted in the article.

Senior U.S. Diplomats Warn of Imminent Hit on Iran

Sept. 3 (EIRNS)—Senior U.S. diplomatic sources are sounding the alarm that there could be U.S. military action against Iran in the very near future. These warnings coincide with the assessment of Lyndon LaRouche that Vice President Dick Cheney is determined to launch such an attack before he leaves office, an attack which, in the context of the British-instigated Georgian assault on South Ossetia, could lead to thermonuclear war.

The global situation is currently on a hair-trigger, LaRouche has emphasized, made immeasurably worse by the Bush Administration's going along with the Saudi demand to remove Pakistani President Pervez Musharraf. There is a very narrow window of opportunity to prevent new insane acts by Cheney.

British Run Ethnic Destabilization of Iran

Sept. 5 (EIRNS)—The British Empire is targeting Iran for ethnic dismemberment. There are several significant ethnic groups in Iran which have been manipulated in a campaign of destabilization, all of them controlled by British intelligence circles. Some of the most important are the Baluchis in the South, bordering Baluchistan in Pakistan; the Turkmen in the Northeast; and the Kurds in the Northwest, bordering Kurdish regions of both Iraq and Turkey. The most important are the Ahwazi Shi'ite Arabs of Khuzestan province, where 90% of Iran's oil and gas resources are located.

Khuzestan province has been the target of the British Empire for over 150 years. In the last century it was the Anglo-Persian Oil Company's main area of operations. In 1980, in part using British invasion plans of 1937 and 1941, Iraqi President Saddam Hussein launched his invasion of Iran. The British earned billions of dollars in arms sales and high oil prices throughout that nine-year war. Controlled by the British Empire's Arab Bureau, the Ahwazi separatists have traditionally been based in London; Ahwazi separatists were responsible for the 1980 hostage taking at the Iranian Embassy in London. The freeing of the hostages by British SAS commandos has bolstered the SAS mythology, despite the fact that it was, in effect, an inside job. In 2005, Iran accused Ahwazi terrorists of responsibility for a series of terror bombings in Khuzestan. The Iranian government accused both the CIA and Britain's MI-6 of controlling these groups.

Today, almost all the Ahwazi groups are based in London or Canada, including the Democratic Solidarity Party of Ahwaz, the website Ahwazi.org, the Ahwaz Human Rights Organization, Ahwaz Studies Center, and Ahwaz Television. Some of these websites display a map claiming that the land of the Ahwazis covers Iran's entire Persian Gulf coast line. All these groups receive the support of the British-Ahwazi Friendship Society (BAFS), which also links up with the Democratic Party of Iranian Kurdistan.

The director of the BAFS is British national Daniel Brett, who, when he isn't fomenting ethnic separatism worldwide, is an oil and gas consultant with offices in both London and Washington. He is also a member of the neoconservative Henry Jackson Society, where he shares membership with neocon kingpin Richard Perle.

The involvement of Iranian Kurdish groups in Vice President Dick Cheney's efforts to destabilize Iran has been well document, but little has been reported on the Iranian Baluchis. Separatist organizations representing these groups, such as the Baluchistan United Front, the Baluchistan People's Front, and the Greater Balochistan Liberation Organization, operate out of London. These groups maintain links with Baluchi groups in Pakistan and an Afghanistan that could play into regionwide destabilization.

Asia News Digest

[Embattled Thai PM Tries Judo vs. Soros's Fascist Mob](#)

[Soros's Role in Thai Coup Attempt: Save the Drugs](#)

[Brits Caught Lying Again in Myanmar](#)

[Korea's Development Bank Nibbles at Lehman Poisoned Bait, Again](#)

[China's Two-Track Approach Widens Economic Gap](#)

Embattled Thai PM Tries Judo vs. Soros's Fascist Mob

Sept. 4 (EIRNS)—Thai Prime Minister Samak Sundaravej has decided to call a national referendum, posing the simple question: Should I remain in power? He announced on national radio Sept. 4 that he would allow the fascist mob, which had occupied Government House (including the PM's office) for ten days at that point, to just stay put, essentially out of harm's way. This move follows the failure of the People's Alliance for Democracy (PAD—the George Soros-linked mob run by media mogul Sonthi Limthongkul and his middle-class Baby-Boomer followers) to pull in the trade union movement to his royalist coup. As a result, Sonthi stands exposed as a petty nazi with no real support. No one doubts Samak would easily win such a referendum.

Samak also indicated he would lift the State of Emergency which he had declared on Sept. 2 after a bloody clash between the Soros mob and pro-government demonstrators. Samak noted sarcastically about his Emergency declaration: "No one has complied with it." This is a reference to the virtual insurrection by the Army, whose Commander in Chief, Gen. Anupong Paojinda, responded to the Emergency order by deploying a few hundred unarmed soldiers to the streets, but openly defying Samak's orders: "Our main task is to avoid any clash between two groups with different opinions," he said, adding that the army's "enforcement" of the State of Emergency would be based on the "principle of democracy" and rely on negotiation and not force. In effect, he is using the troops to protect the mob. His repeated refrain that there would be no military coup may or may not be true, but there is only one way to remove the mob, which is to use force, or to force the resignation of Samak and his government. The latter appears to be the Army's position. Gen. Anupong is taking orders from the King's Privy Council rather than the government.

But the population is not ready for yet another military junta, and support for the "revered King" (as it is always written in the foreign press, trying to justify the British royal influence over Thailand through the monarchy) is wearing thin.

In a royalist move to discredit the Prime Minister, Foreign Minister Tej Bunnag, a former ambassador to the U.S. and an advisor to the Privy Council, whom Samak brought in to appease the royalists, resigned after only two months on the job, but this is a transparent move, and is unlikely to have any impact.

Soros's Role in Thai Coup Attempt: Save the Drugs

Sept. 2 (EIRNS)—The mob laying siege to Bangkok today is a classic example of the George Soros-financed "Rose" and "Orange" revolutions across Eastern Europe and Central Asia, even if the color in Thailand is Royal Yellow. Soros infamously launched the 1997 speculative assault on Thailand in a fit of rage that Thailand and its neighbors were bringing Myanmar into the Association of Southeast Asian Nations (ASEAN). Soros, the financier and leader of the world's movement to legalize drugs, was furious that Myanmar had wiped out the opium trade, forging peace agreements with the ethnic drug armies and unifying the country for the first time since independence from Britain. He was even more furious with ASEAN for befriending Myanmar and rejecting his anti-Myanmar hysteria.

The Soros-linked mobs on the streets today demanding the resignation of Prime Minister Samak Sundaravej, as in 2006 against the former Prime Minister Thaksin Shinawatra, are but a repeat of Soros's economic destruction of Thailand in 1997, in which Soros personally stole billions of dollars from the country. It is also no coincidence that Thaksin's "war on drugs" in 2003 was a major target of the global Soros-funded human rights mafia, building towards the 2006 coup, nor that Samak has discussed reviving the war on drugs this year.

Brits Caught Lying Again in Myanmar

Sept. 4 (EIRNS)—In yet another official refutation of the British campaign to justify a military invasion of Myanmar after the Cyclone Nargis ripped through the country in May, the World Health Organization (WHO) released its official report on the medical aspects of the disaster, praising the Myanmar government's response. "We discovered to our surprise, because of such bad PR, that there was large-scale mobilization by government around the country," the report said.

The Brits, with French backing—but notably without any support from the U.S.—threatened to invade on "humanitarian" grounds, because Myanmar was allegedly refusing to care for its people. The truth was that Myanmar refused to allow the British military into the country under the guise of delivering aid. The U.S. military accepted that reasonable position, and agreed to turn over U.S. aid to the government for delivery, putting lives ahead of politics. The Brits gave them nothing.

The WHO report was based on a survey of 3,000 families in the hardest-hit regions of the delta, the hardest-hit region. They issued the report to the troika that is jointly overseeing recovery aid to the country: ASEAN, the UN, and the Myanmar government.

Korea's Development Bank Nibbles at Lehman Poisoned Bait, Again

Sept. 4 (EIRNS)—The rumor on Wall Street a few weeks ago was that the Korean Development Bank (KDB) was to purchase a large share of Wall Street loser Lehman Brothers at a premium over its stock price. That news caused Lehman's stock (and other financial stocks) to shoot up in price. Suckers are always welcome. That rumor died, however, when the Korean government publicly noticed that Lehman was "insolvent."

KDB governor Min Euoo-sung, who was formerly the head of Lehman's operations in Korea, revived the rumor this week, saying that KDB was trying to establish a consortium with private banks for the acquisition. But even *The Economist* of London admitted that "KDBs potential allies in South Korea have expressed little interest in the deal, fearing huge additional write-downs when Lehman reports its third-quarter earnings this month. Their enthusiasm will be further dampened by news that Lehman held a stake in Ospraie Management, a New York-based investment firm. Ospraie has been forced to close down its biggest hedge fund, which managed \$2.8 billion at the start of August, because of a bad bet on commodities."

This Lehman strong-arm tactic to drag a few billion dollars out of South Korea requires a re-examination of Korea's supposed "September Crisis," a threatened run on the Korean currency, the won, when and if foreign investors cash in on government bonds worth \$6.7 billion, maturing in September, instead of reinvesting the money in Korea. This is about the same amount KDB is being told to pump into the dying Lehman. It sounds like old-fashioned colonial looting in modern garb.

China's Two-Track Approach Widens Economic Gap

Sept. 4 (EIRNS)—The long-term Chinese policy of a "two-track" approach for the urban and rural populations, is the basis for the ever-widening economic gap between the two sectors, concluded leading Chinese economists and politicians at a conference of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) in Beijing today. Vice Prime Minister Hui Liangyu told the conference that the "imbalance in rural-urban development is worsening and taking on many forms," and that now, this two-track approach has become the largest obstacle hindering balanced development in China. Government political advisor Jia Qinglin said, "It is a historic task to balance urban and rural development and promote the integration of the urban and rural economies."

Over 250 million Chinese peasants do not have access to safe drinking water, nearly 100 towns have no roads, and there are 2 million rural people without electricity. The income ratio between urban and rural areas has grown from 2.6/1 in the late 1990s, to 3.3/1 in 2007. With 80% of China's population living in rural areas, many peasants have little or no access to any social security system, including health insurance and other benefits. The old assumption that living on the land is cheaper is no longer true anywhere in China.

Africa News Digest

China Begins \$3.5 Billion Project in Angola

U.S. Blasted for Failed Policies in Somalia

China Begins \$3.5 Billion Project in Angola

Sept. 2 (EIRNS)—A Chinese firm has begun building a satellite town for the Angolan capital of Luanda that will house more than 200,000 people, in the largest project of its kind that China has ever contracted abroad, according to Xinhua. The groundbreaking ceremony, in what is now a rural area, took place Aug. 31. According to Chang Zhenming, general manager of the China International Trust and Investment Corporation (CITIC), the project will offer more than 10,000 jobs to local labor. Angola has an unemployment rate of 65%.

When the project is complete in 2011, the town will have 20,000 apartments, 24 kindergartens, and 17 primary and middle schools, as well as power transformer stations, water supply stations, sewerage treatment plants, and related infrastructure.

U.S. Blasted for Failed Policies in Somalia

Sept. 5 (EIRNS)—Speaking before an overflow audience in Washington, D.C. on Sept. 3, Ken Menkhaus, the most knowledgeable American specialist on Somalia, presented a blunt assessment of the crisis there today, which has quantitatively worsened since the U.S.- and British-sponsored Ethiopian invasion in December 2006. He made it clear that Western policies have completely failed in Somalia, especially U.S. "counter-terrorism" deployments, and support for the discredited Transitional Federal Government (TFG), which has created conditions in Somalia that "exceed the worst-case scenario." While he called U.S. policy dysfunctional, insisting that we cannot "stay the course," Menkhaus did not portray the disintegration of Somalia as an intended result of British policy, with implications for the whole of Africa, as has EIRNS since the Ethiopian-spearheaded invasion at the end of 2006.

In his introduction to his written report: "Somalia—A Country in Peril, a Policy Nightmare," which was distributed at the event, he wrote:

"So Somalia is in flames again—what's new?

"The answer is that much is new this time, and it would be a dangerous error of judgment to brush off Somalia's current crisis as more of the same. It would be equally dangerous to call for the same tired formulas for U.N. peacekeeping, state building, and counter-terrorism operations that have achieved little since 1990. Seismic political, social, and security changes are occurring in the country, and none bode well for the people of Somalia or the international community."

Menkhaus notes that Somalia's humanitarian disaster is worsening because food prices are skyrocketing and food aid agencies are unable to deliver assistance to the 2 million Somalians in need, which could increase to 3.5 million by the end of the year.

He also pointed out that Ethiopian occupation has made Somalia more dangerous, has increased Islamic radicalization, and has increased anti-U.S. sentiments, because Somalians are convinced that the United States is behind the occupation.

He said the TFG doesn't exist as a functioning political entity, since all security forces—the Army, national police, and the Mogadishu police—act autonomously.

He said that Somalia has no civil service; its ministers live abroad, and it has failed to govern in the interests of the people of Somalia in four of the five years it was to serve as a transitional government, before its scheduled termination. "Most of the 400 or more militia-controlled roadblocks which are extorting as much as \$500 per truck carrying food for the population are manned by police and Army linked to the TFG government people."

He also noted that the U.S. declaration that the [radical Islamic] al-Shabaab is a terrorist group, along with U.S. missile attacks directed against them, has worked to strengthen hardliners and isolate moderates, leading to the conclusion that the so-called U.S. counter-terrorism effort is helping to make Somalia ungovernable.

Menkhaus concluded that the U.S. counter-terrorism policy in Somalia has not made the U.S., Somalia, or Ethiopia safer, but less safe.

EIRNS had stated, at the time of the invasion by Ethiopia, that this outcome was the effect desired by London-based financial circles, with their Cheney-Blair "war on terrorism."

All rights reserved © 2008 EIRNS

[top of page](#)

[home page](#)