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**A New Dark Age Is Now Near:**  
**Today's Brutish Imperialism**  
**by Lyndon H. LaRouche, Jr.**

October 18, 2008

The following report may come to be considered by some among the world's leading circles of today, as the most important political document you have read, or might have read, during your lifetime to date. Certainly, the strategic issues presented here provide what would have been heretofore the most important subject in the world's historical experience of modern European civilization.

You stand here and now, in this moment of world history, between the hope of Heaven and prospect of Hell, such as you have never even dreamed before.

However matters of that sort, with which we deal in this report, are to be seen, it were suitable that there be no harsh battle-cries, but what must be said, in those quiet tones of morning of the day the greatest war was to begin. It is not the wild passions of the drunken mob, but the chillingly quiet cadences with which the cavalry man steadies his mount, and commanders calm their charges at times when the unthinkable is, at last, finally, actually to begin....

**In-Depth articles from EIR, Vol. 35, No. 43**

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## Feature

- **A New Dark Age Is Now Near:**  
**Today's Brutish Imperialism**  
**by Lyndon H. LaRouche, Jr.**

'At present, the popular, but utterly incompetent notion, among professed socialists and others, that the U.S.A. 'is the world's leading imperialism today,' is not only an utterly wrong idea, but a belief which could be presently suicidal in actual practice for nations such as the U.S.A., Russia, and others, today. Nonetheless, that wrong idea is a belief among many leading economists, statesmen, throughout the world, who cling stubbornly to the notion of American imperialism, still today. Thus, the world is presently menaced by the effects upon the credulous, of that strategic delusion, the delusion that it is the U.S.A., rather than the British Empire's Anglo-Dutch Liberal system, which is, uniquely, the dominant, actually imperialist strategic force operating throughout the planet today. Indeed, each of the impassioned haters of the U.S.A. among even our citizens, and others abroad, even leading political figures, is a product of the fact that they are virtually, either unwitting, or more or less witting British agents against our United States, whether they are able to grasp that fact, or not. A similar delusion is met among many in Russia, still today.'

## International

- **The International Momentum Is for LaRouche's New Bretton Woods**

The planned Nov. 15 meeting on monetary matters with Bush et al. would be more like a Mad Hatter's Tea Party than a serious conference. But the fact that a meeting on the New Bretton Woods is occurring at all, reflects serious international momentum toward the only competent proposal: that of Lyndon LaRouche.

- **What Is the Real New Bretton Woods?**

A 1998 article by Lyndon LaRouche.

- **Philippines Congress Weighs Re-Opening the Never-Used Bataan Nuclear Plant**

- **Touring the Bataan Plant**

- **Malaysia:**

- The Developing Nations Must Go Nuclear**

by biochemist **Mohd Peter Davis** of the Universiti Putra Malaysia.

## Economics

- **Panic Flight Into Corporatism as System Breaks Down**

Unable to come to grips with reality, bankers, their regulators, and governments are rushing headlong down the path of Weimar Germany-style hyperinflation and Mussolinistyle corporatist fascism.

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## History

- **Roosevelt's Response to the 'Banking Crisis':**

- How FDR Asserted the Power of Government over Wall Street**

Instead of bowing to pressure for a bailout of financial paper or 'injections of liquidity' into a frozen banking system, President Franklin D. Roosevelt went right at the power of the financier oligarchy which had brought on the crisis in the first place. To accomplish this, he asserted the power of the Constitution over banking and finance, while taking steps to recreate a locally based system for the distribution of governmentissued credit to get the economy moving again.

## Editorial

- **Expect the Unexpected**

# U.S. Economic/Financial News

## California Heading Over a Cliff

## Why Bernanke Is Lying About a 'New Stimulus Plan'

## State Pension Funds Lose Billions, Thanks to Boomer Market Greed

### California Heading Over a Cliff

LOS ANGELES, Oct. 20 (EIRNS)—The rotten budget deal for fiscal year 2008-09 passed last month by California legislators has already broken down, as new figures released reveal there is still a \$3 billion shortfall for this year. The shortfall remains despite cuts of over \$7.6 billion, mostly in medical care and social services, due to a continuing, and growing, revenue shortfall. Tax revenue for September was \$814 million below estimates, and the shortfalls will grow, as the state's economy is contracting steeply. Official unemployment figures remain at 7.7%, foreclosures continue to increase, and now, trade through the California ports—the one area of growth in 2007—is contracting rapidly.

On top of this, the "balanced budget" which was passed 85 days late, pushed at least a \$7 billion shortfall into the next fiscal year, to be covered by a "bridge loan" this year. The son-of-a-Nazi, former steroid-popping Gov. Arnold Schwarzenegger, said he wasn't worried about that, as he expected growth to "pick up" before the end of the fiscal year! Some legislators are projecting that next year's shortfall will surpass the \$15-20 billion deficit for this year.

With the state and national economies collapsing, some Democratic Congressmen refused to go along with Speaker of the House Nancy Pelosi and Treasury Secretary Hank Paulson on the bailout. An aide to one of those who twice voted against the \$700 billion bailout bills said that Pelosi and the national leadership of the Democratic Party, including Sen. Barack Obama, are out of touch with the needs and concerns of Democratic voters. Asked if she expected a change, she said "not until the people squawk louder."

### Why Bernanke Is Lying About a 'New Stimulus Plan'

Oct. 20 (EIRNS)—Federal Reserve Chairman "Helicopter Ben" Bernanke, money-printer and lender of nearly \$2 trillion this year to a disintegrating banking system, was also the key "swing factor" in pushing through the first Congressional economic stimulus, with a speech at Columbia University in January, and in Congressional testimony. The Federal "stimulation" checks mailed to taxpayers contributed mainly to a burst of inflation through the early Summer—as Lyndon LaRouche had warned they would in his Jan. 17 webcast—and were eaten up in higher gasoline prices.

Now the man who said the Fed could drop money from helicopters, wants to help Speaker of the House Nancy Pelosi push through another "stimulus." Testifying today to the House Budget Committee, Bernanke said that "with the economy likely to be weak for several quarters, and some risk of a protracted slowdown, consideration of a fiscal package by the Congress at this juncture seems appropriate."

Pelosi leaped immediately, "calling on President Bush and Congressional Republicans to once again heed Chairman Bernanke's advice." Neither MsLeadership nor Helicopter Ben offered explanations as to why the first stimulus produced nothing but inflation. Bernanke has lowered the Fed lending rate from 4.25% to 1.5% since then, drawing bank deposits out of U.S. banks.

Bernanke justifies his hyperinflationary policy by claiming to be a scholar of the Great Depression, determined to avoid President Herbert Hoover's "great mistake" of "tightening credit and balancing budgets" after the 1929 stock market crash. He's either a bad scholar, or he's lying.

From the Crash of 1929 to late 1930, Herbert Hoover and Fed Chairman Roy A. Young did exactly what Bernanke, Bush, and Paulson are doing now! Young reduced the Fed discount rate 21 times in a year (in small increments), down from 4% to a then-record low of 1.25%. Hoover pushed through tax cuts of \$400 million and then \$160 million more, and forced the consolidation of five major (bank-owned) railroad companies, with Federal financial support. Federal Reserve lending to banks massively increased in 1930; the government congratulated itself on a recovery of bond issuance and bank lending, and a record rise of stock prices. But real estate prices, and the real economy, kept falling.

Then the bottom dropped out in late Fall of 1930, the dollar crashed, half of all foreign bank deposits fled the United States, and U.S. trade collapsed along with tax revenues. And *then* came the tight money, budget-balancing policy of "scholar" Bernanke's stimulating falsehoods.

## **State Pension Funds Lose Billions, Thanks to Boomer Market Greed**

Oct. 21 (EIRNS)—Boomer market greed has led to multibillion-dollar losses in state pension funds. The trillion-dollar state employee pension system, affecting 20 million current state and local government employees and 7 million retirees, has lost billions of dollars in value since January, as the foolish invest these funds in riskier market instruments, simply making it easy for the Anglo-Dutch-Wall Street thieves to steal the funds. Twenty states' funds are below the "safe" 80% funding ratio of assets to liabilities, while six more states are just above it in the 80.4% to 81.3% range. Today, 70% of these funds are "invested" in the markets, whereas in 1990 it was 38%.

"Hardly a day goes by without a state announcing a double-digit loss in the value of its pension fund," Stateline.org reported. For example, on Oct. 16, Virginia said its fund had fallen 20% since July, or \$11 billion, while Tennessee's had lost 10.7% (\$5 billion). North Carolina's has lost 12% (\$66 billion) so far this year, while New Mexico's public employee fund has lost \$9.7 billion, and its teacher fund \$7 billion, just since Sept 29. Losses piled up in Massachusetts (15%) and Connecticut (11%) for the same time period. Leading culprits identified were "investments" in Lehman Brothers, AIG, Washington Mutual, and Wachovia Corp. Florida lost \$350 million just in September's massacre.

Rather than adopting LaRouche's Three Steps to Survival, states are proposing: halting of cost-of-living increases, cutting benefits, and hiking employee payroll deductions and state tax to meet states obligations.

## **Global Economic News**

### **Capital Flight from Developing Sector Threatens Sovereign Defaults**

### **Crisis Hits World Shipping**

## **Capital Flight from Developing Sector Threatens Sovereign Defaults**

Oct. 22 (EIRNS)—India, South Africa, Brazil, Mexico, Pakistan, Hungary, Argentina, Ukraine, and a host of other developing nations are all being slammed by massive capital flight, as international financial interests suck up every available penny to try to cover their own exploding derivative and other dollar obligations. The resulting collapse of the values of these national currencies, and the desperate financial straights that the countries are left in, has raised the specter

of sovereign defaults by numerous nations—in the short term.

This new feature of the global financial meltdown crisis sharply underscores Lyndon LaRouche's criticism of the lunacy of those developing-sector leaders and others, in Europe and elsewhere, who welcomed the "U.S. dollar crisis" when it first exploded, arguing that it would allow them to benefit from the dollar's demise. Now that the dollar is being converted into toilet-paper, on policy directives from London, those nations are finding that their own currencies are becoming worth even less than toilet paper.

**Take Hungary:** On Oct. 21, the central bank raised interest rates by 3%, up to 11.5%, after a \$6.7 billion loan from the European Central Bank, and promises of more from the International Monetary Fund, failed to stem the capital flight out of their currency, the forint—which has been devalued by 13% in October. This is setting off an economic depth-charge in the country, because 62% of all household debt is in foreign currency. A Bloomberg wire quoted an investment manager in Budapest saying that the central bank decision to hike interest rates was "a desperate, brutal decision. What we got here is the evaporation of global liquidity."

Other emerging situations include:

\* **India:** The rupee fell to an all-time low against the dollar on Oct. 21, as investors bailed out of the stock market. Foreign funds have pulled \$12 billion from Indian share markets so far this year, and mutual funds are also facing heavy redemption pressures from panicky investors. The turmoil "is washing up on Indian shores," said Anjan Roy, economic advisor to the Federation of Indian Chambers of Commerce and Industry.

\* **South Africa:** The rand fell to a six-year low against the dollar Oct. 22, having lost 60% of its value this year.

\* **Ukraine:** The government has borrowed \$15 billion from the IMF, to try to bolster dwindling reserves, while scrambling to prevent the country's sixth-largest bank, Prominvestbank, from going bankrupt.

\* **Pakistan:** Foreign exchange reserves are rapidly depleting, forcing the government to seek emergency aid in the range of \$10-15 billion.

## **Crisis Hits World Shipping**

Oct. 20 (EIRNS)—World shipping of key commodities is grinding to a halt as shippers cannot get banks to give them the credits they need to finance operations, according to numerous reports on Oct. 20. *The Australian* reported that the Baltic Dry Index (BDI) has plunged 80% this year. This index is a measure of commodities-shipping costs, which reflects demand and prices for bulk carriers, which is at the lowest point since November 2002, when demand for metals was low. Australia is one of the world's biggest iron ore producers. The BDI was at 1,506, down from 11,893 points in May.

**The U.S. market is contracting:** In September, inbound container numbers at the Port of Long Beach in California were down 15.8% from a year earlier.

China is expecting a severe downturn in shipping. China Shipping Container Lines, China's second-largest container line, expects a 10% volume shrinkage this year. Bloomberg quoted Zhang Denghui, assistant president, saying that "traffic will drop at least 10% for the full year. An even much larger drop is possible, as the full impact of the global economic turmoil is yet to come."

Also, the Pacific Basin Shipping Ltd., Hong Kong's biggest dry-bulk carrier, and Precious Shipping Pcl. said demand for

moving coal, iron ore, and other commodities will fall, because banks are guaranteeing fewer loads, Taiwan's Central News agency reported today. "Letters of credit and the credit lines for trade currently are frozen," Khalid Hashim, managing director of Precious Shipping, Thailand's second-largest shipping company, said in Singapore yesterday. "Nothing is moving because the trader doesn't want to take the risk of putting cargo on the boat and finding that nobody can pay."

## United States News Digest

### N.Y. City Council Makes Bloomberg 'Mayor For Life'

### ACORN's Legal Problems Grow as Big as an Oak

### Obama Fundraising Under Scrutiny

### Will Terrorist Attack on U.S. Confront New President?

### Mullen Holds 'Meaningful Engagement' with Russian Counterpart

#### **N.Y. City Council Makes Bloomberg 'Mayor For Life'**

Oct. 23 (EIRNS)—The *New York Times* blog "City Room" reported today that the New York City Council had voted 29-22 to grant the wishes of Mayor Michael "I'm Above Politics" Bloomberg, and extended the city's term-limits law to allow Bloomberg to run for a third term. The *Times* notes this undoes "the result of two voter referendums that had imposed a limit of two four-year terms." Indeed, the Council preceded that vote with the defeat of an amendment which would have conducted a new referendum on the question, a course that had been recommended by the New York City Bar Association.

Former Ambassador Ronald Lauder, acknowledged as the leading force behind the original term-limits provision, reversed course in an Oct. 2 *New York Times* op-ed, in which he called for lifting term limits now, in the current financial crisis, and a return to the fascist policies of Felix Rohatyn's 1970s Big MAC. And on Oct. 19, "Felix the Fixer" himself endorsed a Bloomberg third term, to provide continuing "leadership" to "save" the city, in a *Daily News* op-ed. Rohatyn argued that the "global financial crisis ... is throttling New York" and that Bloomberg [who made his billions promoting the investment bubble in London and New York—ed.] must provide continuing "leadership" to save the city.

#### **ACORN's Legal Problems Grow as Big as an Oak**

Oct. 22 (EIRNS)—A recently surfaced internal report by a lawyer for ACORN (Association of Community Organizations for Reform Now), written on June 18, spells out multiple potential legal violations in the group's organization and activities, and recommends consulting a knowledgeable white-collar criminal attorney about the embezzlement of \$1 million, according to today's *New York Times*.

As this news service has documented, ACORN now conduits uncountable millions of dollars for George Soros-directed political operations and the Obama for President Campaign.

Elizabeth Kingsley, a Washington attorney for ACORN, points in her internal report to potentially improper use of charitable money for political purposes; money transfers among the affiliates; and problems potentially created by employees working for multiple ACORN affiliates. Kingsley's report also gives a different account of the embezzlement of

\$1 million by the brother of ACORN's founder, Wade Rathke.

## **Obama Fundraising Under Scrutiny**

Oct. 22 (EIRNS)—Sen. Barack Obama's reported record-breaking fundraising is raising eyebrows on two grounds: First, with the large amount of undocumented contributions under \$200, suspicions are being raised that these come from large donors breaking big contributions into smaller ones, or that a significant portion comes from illegal overseas donations. Sources have told *EIR* that "a lot of people will go to jail" for illegal fundraising for Obama—but only after the November elections are past.

Second, as a Bloomberg wire story puts it: "Even as he condemns special interests and refuses money from lobbyists, Obama has followed a fundraising model created by President George W. Bush," enlisting over 500 people to "bundle" donations from friends, family and co-workers. The largest category of "bundlers" is lawyers, including many who lobbied for big Wall Street and other financial outfits, such as Lehman Bros., AIG, and Fannie Mae; the second-largest is representatives of the so-called "securities and investment industry." Obama's biggest single source of campaign cash is employees of Goldman Sachs and their families, who had contributed \$739,521 through Aug. 31—even before the September deluge of contributions.

Notably, only one-fourth of Obama's money comes from donors giving \$200 or less—which is less, as a percentage, than received by George W. Bush's 2004 campaign.

## **Will Terrorist Attack on U.S. Confront New President?**

Oct. 22 (EIRNS)—A high-level intelligence source has indicated to *EIR* that it is virtually certain that there will be a major terrorist incident against the United States in the first six months of the new Presidency, no matter who is elected. Such an attack, the source said, would be intended to compound the effects of the financial crisis. The source cited the 1993 attack on the World Trade Center, which occurred in the early months of the Clinton Presidency, and the 9/11 attacks in the first year of the Bush-Cheney Presidency, as indications that the enemies of the United States are aware that the transition period is one of heightened vulnerability.

It is for this reason that some leading institutional voices are promoting the idea that Defense Secretary Robert Gates, Director of National Intelligence Mike McConnell, and CIA Director Michael Hayden should be kept on for a year by the next administration, while other Cabinet posts are filled and the new team settles in.

## **Mullen Holds 'Meaningful Engagement' with Russian Counterpart**

Oct. 21 (EIRNS)—Adm. Michael Mullen, Chairman of the Joint Chiefs of Staff, held what he described as a "meaningful engagement" with Russian Gen. Nikolai Makarov, chief of his country's General Staff. Held at near Helsinki, Finland, the meeting was initiated by Makarov. Mullen said he was very encouraged that his Russian counterpart had reached out to ensure that the dialogue continued between the two countries. This was the highest-level military meeting between the two since August's Georgian conflict.

A day earlier, Mullen was in Belgrade, where he met with Army Chief of Staff Gen. Zvradko Ponos, to discuss bilateral military cooperation. Mullen was the first Joint Chiefs Chairman to visit Belgrade since 1951.

Mullen described the topics covered in his meeting with Makarov only in general terms, emphasizing that "the most important part of [today's] meeting was the dialogue, and the commitment to continue the dialogue ... into the future, and

not put us into an all on or all off situation." Obviously, Mullen said, "the relationship has changed because of what happened in Georgia, but by no means does it or should it end."

Makarov was very personable and engaging, Mullen told reporters. "I would characterize these as discussions," he said. They were "not by rote or by reading a script. So it was an engagement, and it was a meaningful engagement across a lot of important areas."

## Ibero-American News Digest

### Brazil's Lessa Slams Derivatives, Calls for Exchange Controls

### Fidel Castro Wraps Himself in the British Flag

### Argentine President Re-Nationalizes Pension System

### Chilean Fascists Unnerved by Argentine Pension Nationalization

#### **Brazil's Lessa Slams Derivatives, Calls for Exchange Controls**

Oct. 25 (EIRNS)—Prof. Carlos Lessa, one of Brazil's only voices of sanity in the current financial breakdown crisis, stated on Oct. 20, that the explosion of the global derivatives bubble was the cause of the crisis on international markets.

In an Oct. 20 speech on, "The crisis in the USA and its repercussions in Brazil and the world," delivered before the Brazilian Press Association (ABI), the former president of the National Economic and Social Development Bank (BNDES) presented an analysis which contains elements which will be familiar to readers of Lyndon LaRouche's writings on the subject.

"Professor Lessa traced the history of the current turbulence in the international economy to the 1971 end of the parity between the U.S. dollar and gold," journalist Julio Cesar de Freixo Lobo reported, noting that Lessa explained that "the problem is that the emission of paper, or derivatives, exceeds the total actual wealth of the countries of the world by a factor of ten. 'To give you an idea: the estimation is that the world's GDP is \$67 trillion, whereas the total paper assets issued is about \$600 trillion, and now that speculative bubble has exploded,' " Freixo Lobo quoted Lessa as saying.

"According to the professor, there is a movement of countries such as France and Russia to try to diminish the effect of the crisis," Freixo Lobo wrote, which Lessa welcomed because, "We could also have what is called an economic depression in the world, like what happened in the years following 1929 with the collapse of the New York Stock Exchange."

"Lessa stated that the country has a vulnerable economic policy, in light of the free trade in currencies and goods. He noted that the country's dollar reserves [\$202 billion] could disappear in a little more than a month, due to capital flight by foreign investors trying to cover their negative positions abroad." The article quotes Lessa repeating his earlier call for Brazil to adopt exchange and capital controls: "I propose a centralization and control of currency exchange by our monetary authorities."

In November 2005, when he was dumped as head of the BNDES, Lessa distinguished himself by his blistering attack on Brazil's ruling elites. *The* problem in Brazil, he charged, is a national elite which wants nothing to do with the Brazilian



people, an elite which maintained slavery for as long as possible [until 1888], and which throughout Brazil's history, has crushed every attempt to form a counter-elite committed to the development of the people.

This is the deep-seated oligarchical outlook against the poor in Brazil which LaRouche has repeatedly pointed to, as the reason Brazil is the hardest country on the continent to change, even though it is the most powerful in potential. Recalling his 2002 trip to São Paulo, LaRouche has spoken of the *favelas* (giant urban slums) where even the police don't dare venture, contrasted with the indifference of the wealthy who live behind walled estates.

## **Fidel Castro Wraps Himself in the British Flag**

Oct. 21 (EIRNS)—In an article entitled "The Uncommon," Cuba's Fidel Castro wrote on Oct. 16 in the daily *Granma* that, "On the 14th, [the Spanish daily] *El País* runs an article under the heading, 'Gordon has done it right,' with some ideas that deserve to be literally reproduced."

Castro repeats *El País*'s assertion that British Prime Minister Gordon Brown's approach to the global financial crisis (which includes destruction of the United States) is the correct one.

"The British government has gone directly to the root of the problem and acted with astonishing speed to solve it.... We still don't know if those measures will work ... [but] that clear view had to come from London and not from Washington." U.S. Secretary Treasury Henry Paulson's original proposal "was distorted by ideology." And finally: "Luckily for the world economy, what Gordon Brown and his ministers are doing makes sense. And perhaps they have shown us the way out to overcome this crisis."

By quoting *El País*, the wily Castro found a way—at arm's length—to openly endorse the British Empire's final solution—establishing a bankers' dictatorship, not to resolve the global financial breakdown, but for ridding the world of Britain's greatest nuisance, the United States.

## **Argentine President Re-Nationalizes Pension System**

Oct. 22 (EIRNS)—On Oct. 21, Argentine President Cristina Fernández de Kirchner announced the renationalization of the private pension system that was imposed on the country in 1994. This was a partial privatization, which financier interests had eventually hoped to complete, just as was done in Chile by the fascist Pinochet dictatorship in 1981. The bankers were horrified then, when Fernández accused the ten private funds, known by the acronym AFJP, of carrying out "a policy of looting," and asserted the State's *constitutional* right to take control of them on behalf of the general welfare. People come before banks, she warned.

The President's action unleashed howls of rage from the City of London and allied quarters, whose mouthpieces ranted that Argentina's sovereign action had actually *caused* the sharp decline of stock markets around the world! "Concern about a second Argentine default in a decade rattled investors in emerging markets," Bloomberg reported. And the *Daily Telegraph*'s Ambrose Evans-Pritchard complained today that the President and her husband, former President Néstor Kirchner, were stealing the \$29 billion in private funds in order to meet 2009 debt obligations. Argentina has become a "Latin Iceland," he claimed.

In Buenos Aires, police conducted raids on several AFJP offices today. Anticipating that the renationalization was about to occur, the AFJPs had dumped massive quantities of state bonds on the market, causing their value to drop sharply, while at the same time, buying up large amounts of dollars, driving the value of that currency so high that it destabilized the exchange rate.

Government prosecutors say the AFJPs action had caused "serious and irreparable harm ... not only to its affiliates but also to the nation-state." The government is pursuing legal action that could land fund managers in prison.

## **Chilean Fascists Unnerved by Argentine Pension Nationalization**

Oct. 23 (EIRNS)—Financial controllers and defenders of Chile's private pension system, imposed by fascist dictator Augusto Pinochet in 1981, are going berserk over Argentine President Cristina Fernández's re-nationalization of her country's private pension system, announced on Oct. 21. They are frantic that Chile's private system might also be in jeopardy.

One of the most vocal opponents is José Piñera, the architect of Chile's private pension system, whose backers include George Bush's godfather, George P. Shultz, and "get LaRouche" hit man, investment banker John Train.

Piñera charged today that Fernández's action was a "blow" to the workers enrolled in that system, constituting outright theft. The Harvard-trained economist, who imposed the private system while serving as dictator Pinochet's labor minister, sneered that Chilean President Michelle Bachelet, whom he described as "Cristina [Fernández]'s best friend," couldn't do the same in Chile "despite the demagogy of her [2005 Presidential] campaign."

In fact, it was pressure and threats from Piñera's friends among Chile's Pinochet-loving financial oligarchy that prevented Bachelet from carrying out the sweeping reform of the private pension system that she had promised during her Presidential campaign, forcing her to settle for something more modest.

## **Western European News Digest**

**Sarkozy: NBW Meeting Must Not Be 'A Missed Rendezvous'**

**Sarkozy Calls for Fixed Exchange Rates, Will Visit Asia**

**Italian Senator Supports New Bretton Woods**

**Italy's Tremonti Raises Westphalia Principle**

**Rocard: Crisis Goes Back to End of Gold Peg in 1971**

**Britain's Mr. Malaprop Attacks New Bretton Woods**

**BAE Officials Are Suspects in Fraud Investigation**

**Iceland Being Given the 'Versailles' Treatment**

**Sarkozy: NBW Meeting Must Not Be 'A Missed Rendezvous'**

PARIS, Oct. 24 (EIRNS)—Today's Paris daily *Le Figaro*, commenting on U.S. President George Bush's decision to hold a

"G-20 summit" to discuss the global financial crisis, rather than a G-13 summit as proposed by French President Nicolas Sarkozy, says that "the White House has enlarged the format of the conference to the maximum by inviting 20 countries around the table. The Elysée sees it as an American trick to compromise the success of this initiative that leaves the Republican establishment partially skeptical."

Sarkozy, in his speech yesterday in Haute-Savoie, after explaining the New Bretton Woods initiative, said that Bush agreed that the Nov. 15 summit "should not be a meeting for nothing. And I will not go to attend a failed rendezvous."

## **Sarkozy Calls for Fixed Exchange Rates, Will Visit Asia**

PARIS, Oct. 22 (EIRNS)—French President Nicolas Sarkozy, in his speech yesterday before the European Parliament in Strasbourg, proposed that a "fixed-exchange-rate" system be reconsidered, and called for integrating China, India, Indonesia, Japan, and others in the effort to create a New Bretton Woods. He said that he and European Commission president José Manuel Barroso will travel this weekend to China to discuss their participation. According to the Elysée, Indian Prime Minister Manmohan Singh has already agreed that his country will attend the enlarged G-8 + G-5 meetings, starting next month. China is also expected to agree.

## **Italian Senator Supports New Bretton Woods**

Oct. 25 (EIRNS)—Sen. Mario Baldassarri, head of the Italian Senate Finance Committee, endorsed key aspects of Lyndon LaRouche's New Bretton Woods proposal, including the idea of freezing speculative claims. He was one of three speakers yesterday at a conference organized in Ascoli Piceno by industry and labor organizations under the umbrella of Confapi, an association of small and medium-sized industries. Over 100 people attended. The other two speakers were Claudio Celani, coeditor of the EIR Strategic Alert Service, who gave the keynote presentation, and Alfonso Gianni, former Undersecretary of State of the Prodi government (2006-08).

Although both Baldassarri and Gianni praised John Maynard Keynes' 1936 analysis of the Great Depression, they agreed with Celani that a New Bretton Woods system must be based on the principles of the Treaty of Westphalia, as an agreement among sovereign nations. This was President Roosevelt's view, not Keynes', although there is much confusion on the matter among economic policymakers today.

## **Italy's Tremonti Raises Westphalia Principle**

MILAN, Oct. 20 (EIRNS)—"The thing we need at the moment, on a different scale, is not a mere second Bretton Woods; rather something which could be the closest possible to the Westphalia Peace Treaty," said Italian Economics and Finance Minister Giulio Tremonti tonight. "Bretton Woods ... is the mercantile and financial version of a peace treaty."

Characterizing the current situation, Tremonti said that "today, the balance in the world has changed; we have an additional political body, the G-8; but in the end, a treaty is lacking. And we cannot imagine that the current G-8 reproduces the strength that America had at the time" of Bretton Woods. This is why, he thinks, "we need to find a different structure, which introduces a treaty."

Tremonti spoke during the presentation of the book *The Paradox of the Euro*, by Lorenzo Bini Smaghi, one of the heads of European Central Bank.

## **Rocard: Crisis Goes Back to End of Gold Peg in 1971**

Oct. 23 (EIRNS)—Truthout.com, a left/liberal website in the United States, today published a translation of an interview in the French publication *Le Temps*, with former French Socialist Prime Minister Michel Rocard, on the international financial meltdown.

Rocard said, "I'm convinced it all goes back to the dollar leaving the gold standard [sic] in 1971.... That led to an absence of fixed reference points—which pushed the financial world to invent more and more mechanisms to protect itself against the hazards of exchange-rate movements. Those mechanisms came together as derivative products. Little by little, these products' level of uncertainty became too big, and there was a bubble effect.

In fact, the Bretton Woods system did not use a "gold standard," but was a "gold reserve" system. Gold standards of the past were a means used by the London-based financier oligarchy to prevent governments from issuing credit in the national interest.

### **Britain's Mr. Malaprop Attacks New Bretton Woods**

Oct. 20 (EIRNS)—British scribbler Sebastian Mallaby tried to poison the international discussion among heads of state of a New Bretton Woods conference and new monetary order—discussion featuring wide and important coverage of the author of the New Bretton Woods idea, economist Lyndon LaRouche, in the nations involved.

Mallaby, who used to write in praise of hedge funds and global imperialism in the *Washington Post* and *Foreign Affairs*, now has a fellowship at the Brookings Institution. He recently used his Brookings spot to stage a televised promotion of George Soros's current book on financial markets.

Mr. Malaprop's attack make clear how much the Anglo-Dutch oligarchy fears LaRouche's New Bretton Woods.

### **BAE Officials Are Suspects in Fraud Investigation**

Oct. 23 (EIRNS)—Swedish state television reports today that 12 officials of the British defense contractor BAE Systems are suspects in the Serious Fraud Office (SFO) investigation of the company's financial relations with Saudi Arabia and other foreign customers. Although it does not say whether the named officials (CEO Michael Turner, former CEO Richard Evans, and Julian Skopes, former chief of BAE in Eastern Europe) are under arrest or being investigated now, it states that the SFO has issued a search warrant against one of the men.

Among those taken in for questioning and then released was Count Alfons Mensdorff-Pouilly, who allegedly served as bag-man for bribes that were paid to Czech government officials to secure the sale of Saab Gripen fighters.

Swedish state TV, which made a number of groundbreaking documentaries about the BAE-Saab bribes in Eastern Europe and South Africa, states that, according to the SFO, 12 people are under investigation.

The arrests and interrogations have been going on for two weeks, but have been otherwise blacked out in the media.

### **Iceland Being Given the 'Versailles' Treatment**

Oct. 24 (EIRNS)—Icelanders feel they are being given the same treatment as Germany was given at the Versailles Conference after World War I, despite the fact that they never launched a war. Germany was subjected to devastating reparations requirements, among other measures, which destroyed its economy and its national sovereignty.

It is reported that the International Monetary Fund refuses to consider any loan to Iceland until it settles its banks' debts to British companies and individuals. The latter apparently is demanding the Iceland take a £3 billion loan to pay off British depositors. Icelandic parliamentarian Petur Bloendal said it is unlikely that parliament would approve the British loan, saying that the demands by the British and Dutch "amounted to the equivalent for every Icelander of three or four times the reparations that were imposed on Germany after World War I," according to the London *Times*.

Foreign Minister Gísladóttir added, "We are not prepared to bind the nation to this burden that Britain is referring to because we believe it would be beyond our means."

## Russia and the CIS News Digest

### Putin Addresses Systemic Crisis

### Directed Credit and the Science-Driver Principle Emerge in Russian Debates

### Putin: Space Program Achievements Must Get into the Economy

### Putin Holds Meetings on Transport Infrastructure

### Lavrov's Focus on Financial Crisis, in Delhi

#### Putin Addresses Systemic Crisis

Oct. 20 (EIRNS)—Russian Prime Minister Vladimir Putin continues a non-stop series of meetings related to the economic crisis. He has met with the board of Russia's GLONASS GPS program, held a conference on the priority National Programs for education, housing, and health care, met with the Consultative Council on Foreign Investment in Russia, and set off for a tour of Siberia. In his Oct. 20 speech to the investors' council, Putin laid out how he sees the global financial crisis.

Putin said he intends to bring Russia through the crisis, no matter what, including by mobilizing internal resources. At the same time, he signaled that he is paying close attention to international discussions of systemic solutions. Citing "serious systemic breakdowns," Putin said the crisis has demonstrated "the incompetence of all the basic elements of the system of regulating financial markets and institutions." Specifically, he said, "American, European, and British institutions, different as they might be, were all caught unprepared."

Putin particularly highlighted the role of the U.S. Federal Reserve, with its "unprecedented lowering of interest rates." This promoted the real estate bubble, and "the market underestimated the systemic risks." He stressed that the dollar is weaker than at any time since 1973, the U.S.A. is the epicenter of the crisis, and the U.S. crisis has infected the whole world.

While citing Russia's short-term stabilizing capabilities, like the large currency reserves accumulated thanks to high oil prices, he stressed that these do not represent a solution. Likewise, he said that international efforts to ease the banking liquidity crisis were welcome, but "the long-term effectiveness of these measures remains to be seen."

Putin said that his government will work towards "financing the development of our economy from domestic sources." He stressed the recently announced measures to rescue Russian companies that are heavily indebted abroad and cannot refinance. He said that he expects the BRIC (Brazil, Russia, India, China) countries to be "the locomotive of growth" in the

immediate years ahead.

Putin discussed the negative side of the oil price bonanza Russia has enjoyed: It has attracted speculative capital to Russia. What Russia needs, said Putin, is "long money" for investment, which is insufficiently available due to the underdevelopment of financial institutions in Russia. He said that the Russian government will soon announce additional measures to support the banking sector, but especially the goods-producing sectors of industry. There will be tax breaks, including increased depreciation allowances to encourage investment in new technology.

Putin took note of the current worldwide discussion about the financial system. "In Russia and in other countries," he said, "the task must be posed of reshaping the financial system, and drawing lessons for the adoption of strategic solutions to develop our economies." Crises can mark the launching of a new upswing, he noted, and Russia wants to look to the new technologies that should mark the development of a new technological era.

### **Directed Credit and the Science-Driver Principle Emerge in Russian Debates**

Oct. 21 (EIRNS)—A potentially productive discussion is percolating through Moscow economic policy-shaping layers, as economists and political figures grapple with saving the national economy, in the face of the global crisis. One highlight was an interview by former Central Bank chairman Victor Gerashchenko on Radio Ekho Moskvyy, in which he advocated a directed-credit policy toward industry, and cited the science-driver effect of successful such programs in the United States in the past.

Gerashchenko gave a refreshingly accurate account of the roots of today's crisis. For more than 25 years after 1944, he said, there was the Bretton Woods system, with the dollar pegged to gold. "In 1971, the U.S.A. gave that up," he said, and from then on, "their growth was essentially inflation-driven."

Gerashchenko was asked about the recent crisis plan put forward by Academician Sergei Glazyev, who proposes that the Central Bank issue rubles based on credit applications from Russian producers, rather than on the current basis, where the money supply is increased through the conversion of dollar-denominated export earnings. He expanded this idea with reference to "the example of the U.S.A.—not the consequences today, but at how they did develop a huge country for over 50 years, and keep their level high for a long time." Yes, there was military spending, but "that very military spending also means, as a rule, technological breakthroughs in various areas simultaneously." If the U.S.A. enjoyed success by issuing "Treasury bonds, and even simply currency," for such earmarked purposes, said Gerashchenko, "why can't we do that?" It should work, he added, "as long as the money goes for productive purposes."

### **Putin: Space Program Achievements Must Get into the Economy**

Oct. 21 (EIRNS)—Russian Prime Minister Vladimir Putin is speaking with increasing urgency about the threats to Russia's industrial and technological development. Today he arrived in Krasnoyarsk, Siberia, where he took a report from Gov. A.G. Khloponin, who said that the region's budget was holding up, but that there was concern about big projects like the Lower Angara program, co-financed by a state hydroelectric concern and Oleg Deripaska's Basic Element holding company, in case the latter's big losses were to cut off the financing.

In Krasnoyarsk, Putin held a conference on the Russian space program. He termed Russia's space industry, with its scientific, production, and manpower assets, "one of our competitive advantages, which must be preserved and developed." The subtitle of the conference was, "expanded use of space technologies for the socio-economic development of the country's regions."

Putin attacked "the old model," whereby "the space program existed as a thing in itself." He underscored that "the process of introducing the achievements of space research into the economy has still not been made systematic," and that this must change. Talking about Russia's regions, he mentioned transportation applications of space technologies, remote geological prospecting, and agriculture, forest, and water management, among other capabilities. In today's world, Putin said, "it is completely justified to have a special, accelerated program for the use of space technologies, especially for developing Russia's regions."

## **Putin Holds Meetings on Transport Infrastructure**

Oct. 25 (EIRNS)—Prime Minister Putin met today in Moscow with members of his Cabinet who handle the transport infrastructure sector. The meeting capped off a week in which Putin toured Krasnoyarsk and Novosibirsk, Siberia, holding conferences on the space program's role in the economy and on transport, respectively. Conferring with Putin were Minister of Transport Igor Levitin, Minister of Industry and Trade Victor Khristenko, and CEO of the state-owned Russian Railways, Vladimir Yakunin.

Putin ordered them to implement Russia's transport infrastructure plans, despite the world financial crisis. Some of the programs have been hit directly, since they involved cooperation with foreign companies. Putin said his government was committed to continuing that cooperation, but in the current circumstances "we must start with Russian money, the money of Russian companies, and the government's money even more so, being put to work within the Russian economy."

The meeting Putin chaired Oct. 22 in Novosibirsk officially adopted Russia's transport development program for the period until 2030, a 175 trillion ruble (\$6.3 trillion) package. "With all the necessary corrections and changes to be made," in view of the world crisis, "we should treat this project and this work as one strategically important for Russia's future," Putin said. "We must focus on its unconditional implementation."

Levitin told the press Oct. 22 that the ratio of public to private financing, for the transportation program overall, will rise in favor of more state funding.

## **Lavrov's Focus on Financial Crisis, in Delhi**

Oct. 20 (EIRNS)—The world financial crisis is a leading issue in discussions between the leaders of India and visiting Russian Foreign Minister Sergei Lavrov, the Voice of Russia correspondent in New Delhi reported today. Lavrov told Indian External Affairs Minister Pranab Mukherjee that Russia sees India as a great world power which should participate in discussions of the G-8 nations and become a permanent member of the United Nations Security Council as soon as possible.

Lavrov is in New Delhi to discuss the visit of President Dmitri Medvedev to India in December. Medvedev is due to sign an agreement for Russia to build another four nuclear reactors at the Kudankulam nuclear power plant, where two units are already nearing completion.

"India is a new center of powerful economic growth and political influence. We believe India's participation in international organizations like the Group of Eight is natural," Lavrov told the press.

## **In Tense Ukraine, Tymoshenko Addresses Nation on Economic Crisis**

Oct. 20 (EIRNS)—Ukrainian Prime Minister Yulia Tymoshenko made an address on national TV Oct. 19, as the country remains in turmoil under the combined pressures of the global financial crisis, and the latest breakdown of the ruling

government coalition. "The huge wave of the crisis does not distinguish borders or nations," Tymoshenko said. She outlined the government's urgent efforts to restrain inflation and deal with a growing number of insolvent Ukrainian banks.

The setting for the speech was an escalating political crisis. Tymoshenko's parliamentary bloc broke its alliance with the party of President Victor Yushchenko. The latter's Our Ukraine party has been charging that Tymoshenko is a Russian agent, including because of her ongoing consultations with Russian Prime Minister Vladimir Putin. On Oct. 10, RIA Novosti reports, a Kiev court upheld the challenge by Tymoshenko's bloc against Yushchenko's attempt to hold Parliamentary elections on Dec. 7. In mid-October, representatives of Tymoshenko's party accused Yushchenko of preparing a coup.

Tymoshenko's speech came amid a collapse of the Ukrainian stock market, the bankruptcy or near-bankruptcy of many banks in the global liquidity crisis, skyrocketing inflation, and unemployment caused by plummeting construction and steel production. Former President Leonid Kuchma has proposed that Ukraine turn to Russia for financial assistance, instead of the IMF.

## Southwest Asia News Digest

### Attack on Syria Could Be White House Scheme To Help Netanyahu

### Israeli-Palestinian-Saudi Peace Symposium

### Jerusalem Patriarch Calls for Just Peace in Mideast

### Abizaid: Israeli Strike on Iran Will Not Stop Nukes

#### **Attack on Syria Could Be White House Scheme To Help Netanyahu**

Oct. 26 (EIRNS)—A U.S. military helicopter raid into Syrian territory conducted operations that killed a number of civilians today. Syrian media first reported the attack. While there have been continuing accusations and sanctions against Syria by the U.S. for allegedly failing to crack down on the insurgency in Iraq, this is the first time in 5 1/2 years that the U.S. has attacked Syria. The operation, as described by international reports, is reminiscent of the deliberate targetting of a military building there by Israel in September 2007. Associated Press reported today that a U.S. military official confirmed that the reason is Syria's lack of cooperation in cracking down on insurgents. "We had to take matters into our own hands," the anonymous official said.

In however, the Syrian government has extensively tightened up the border with Iraq, with checkpoints placed about every 4 km. A senior retired Special Forces officer commented to *EIR* that the U.S. military community is worried about the "wild bunch" of "special operations units" created by Donald Rumsfeld and Dick Cheney. These units, such as the Intelligence Support Activity (ISA), Delta Force, Yellow Fruit, and others, do not report to the normal chain of command in Iraq, but to the Special Operations Command. Another well-informed Washington intelligence source told *EIR* that this could well have been a White House ploy to sabotage the Israeli-Syria talks being mediated by Turkey, in order to help Likud fascist Benjamin Netanyahu come to power in Israel, now that Kadima's Tzipi Livni has been unable to form a government.

The official Syrian Arab News Agency (SANA) reported that a Syrian official "announced that four U.S. helicopters coming from Iraq violated the Syrian airspaces in al-Boukamal region (al-Sukariah Farm) targetting a civilian building and



leading to the killing of eight citizens." The victims included four children, said media reports.

The U.S. helicopters returned to Iraq, and Syria's Deputy Foreign Minister "summoned the Chargé d'Affaires of the U.S. Embassy in Damascus, informing him of Syria's condemnation and complaint of this dangerous aggression, holding the U.S. administration with full responsibility for it. The Iraq Chargé d'Affaires was also summoned for the same purpose."

SANA also reported that Syria "calls on the Iraqi government to assume its responsibilities and make an immediate investigation into this dangerous violation and prevent using the Iraqi lands from launching aggression on Syria."

The attack comes at a time of increasing diplomatic contacts with Syria, and while Syrian Foreign Minister Muallem is making an official visit to London.

## **Israeli-Palestinian-Saudi Peace Symposium**

Oct. 20 (EIRNS)—An Israeli-Palestinian peace symposium was held in London at the end of last week, where a member of the Saudi royal family presented a peace plan. Both Israelis and Palestinians were participants.

Held under the auspices of the Oxford Research Group, participants included former Chief Palestinian Minister Nabil Shaath, former Palestinian National Security Advisor Jibril Rajoub; Avi Gil, former director general of the Israeli Foreign Ministry; Alon Liel, also former director general of the Israeli Foreign Ministry, who is known to have held back-channel peace talks with Syria; and Matti Steinberg, a former advisor to the Israeli security services.

Saudi Prince Turki al-Faisal, the former Saudi intelligence chief and now head of the King Faisal Center for Research and Islamic Studies, presented the Saudi peace plan. Former Egyptian Ambassador to Washington Nabil Fahmy also attended, as did Hisham Youssef, the chief of staff to Arab League Secretary General Amr Moussa. There were Americans and Britons in attendance as well.

Speaking at the event on the Arab peace plan, which had been presented in 2002, Prince Turki told the symposium that every Arab state "made clear they will pay the price for peace, not only by recognizing Israel as a legitimate state, but also to normalize relations with it and end the state of hostilities that had existed since 1948," according to a report in Britain's *Guardian* (Oct. 18). In return Israel must "accept peace as a strategic choice ... withdraw completely from all the lands they occupied in 1967, including Jerusalem, ... accept a just solution for the refugee problem, ... and recognize the independent state of Palestine."

## **Jerusalem Patriarch Calls for Just Peace in Mideast**

Oct. 25 (EIRNS)—His Beatitude Michel Sabbah, Patriarch of Jerusalem, was the featured speaker at the 10th International Conference of the Holy Land Christian Ecumenical Foundation, in Washington, D.C. today. The conference focussed on the battle for a just peace in the Middle East. One panel and a workshop addressed the need for American Christians who support peace, and a viable, sovereign independent Palestinian state, to out-organize the Christian Zionists, who are more anti-Palestinian than any Jewish groups in the United States.

In his speech to the conference, the Patriarch stressed that the only way to love God the Creator is to love them—the other.

Before his keynote, the Patriarch gave an interview to *EIR* which will appear in an upcoming issue.

Patriarch Sabbah said that his assessment of the potential for a Middle East peace is that the political will which did not exists for generations finally does exist on both the Palestinian and Israeli sides—but the question right now is whether the Israelis will pursue peace. He said that in Israel the opposition to a peace agreement does not come from the government but from right-wing extremists.

## **Abizaid: Israeli Strike on Iran Will Not Stop Nukes**

Oct. 26 (EIRNS)—An Israeli strike against Iran cannot abolish Iran's nuclear facilities, and will only succeed in further destabilizing the region, says Gen. John Abizaid (ret.), the former Commander of the Central Command under George W. Bush.

Dozens of media have advance notice of a *Newsweek* interview with Abizaid, which is due out in its Nov. 5 issue. According to *Ha'aretz*, the Israeli daily, Abizaid says that he doubts whether "the Israelis have the capability to make a lasting impression on the Iranian nuclear program with their military capabilities."

Press TV, a Tehran-based station, reports that several other officers and Pentagon analysts were also quoted by *Newsweek* saying that "the U.S. military believes Israel would face huge challenges in reaching Iran, refueling its warplanes along the way, and penetrating fortified nuclear targets."

*Ha'aretz* also reports that last year Abizaid said that "There are ways to live with a nuclear Iran," and that "an Israel-Iran confrontation would be bad for the U.S. and would further destabilize the region."

## **Asia News Digest**

### **Japan To Help India Build Freight Railroad**

### **Pakistan Is Under the IMF Grip Now**

### **Malaysian Leader Demands End of 'Casino Principles'**

### **Thai Professor Challenges the Monarchy**

### **China's Economic Growth Rate Stalls**

### **Japanese Exports Falling**

## **Japan To Help India Build Freight Railroad**

Oct. 19 (EIRNS)—Japanese Prime Minister Taro Aso has signed the \$4.5 billion, largest-ever loan for a single construction project, to help India build a high-speed freight railroad between Delhi and Mumbai. The signing was on Oct. 22 during Indian Premier Manmohan Singh's visit to Japan.

The freight railroad is the centerpiece of the \$90 billion Delhi-Mumbai Industrial Corridor (DMIC), which is expected to triple industrial output and quadruple exports from the regions within five years, and create 3 million new jobs. The work will begin immediately. Under the project, India will establish a 1,468-kilometer (912-mile) rail connection between the

two cities by 2015.

The DMIC was formally announced in December 2006 by Singh on a visit to Japan, with the Tokyo-Osaka industrial corridor being cited as a model. An Indo-Japanese task force to further the project was subsequently constituted.

## **Pakistan Is Under the IMF Grip Now**

Oct. 22 (EIRNS)—Facing the threat of a break-up of its western wing bordering Afghanistan, Pakistan is also bankrupt, and is now slipping into the grip of the International Monetary Fund. On Oct. 21, Pakistan began its annual economic health check-up meeting with the IMF at Dubai. Although Economic Advisor Shaukat Tareen told the media that the talks with the Fund will "ensure" that the IMF acts quickly when a loan request comes from Pakistani authorities, diplomatic sources in Washington told the news daily *The Dawn* that the IMF has already agreed to provide \$6 billion to "stabilize" the economy and to help avoid defaulting on foreign debt repayments due next year. The country has revoked subsidies on petroleum and petroleum products to meet the IMF demands, causing misery to the millions of poor in Pakistan.

The war along its border with Afghanistan and the horrendous internal security situation have added to Pakistan's woes, compounded by the global financial collapse. Pakistan is experiencing 25% inflation; domestic debt rose by \$2.25 billion in the first two months of the 2008-09 fiscal year, to reach a record \$400 billion; and now the commercial banks, strapped for dollars, are allowing withdrawal of a maximum of \$200 from customers' foreign currency deposit accounts.

Pakistan is desperately seeking cash. "In 24 months, we must correct the imbalance we have created. Immediately we don't need more than \$10-15 billion," Shaukat Tareen told Dawn News TV. But, the help is not coming. The multilateral lenders and the Friends of Pakistan, set up last month in New York, have refused to give cash advances. Prime Minister Asif Ali Zardari, who travelled to China earlier this month, will be in Saudi Arabia in early November to seek cash.

## **Malaysian Leader Demands End of 'Casino Principles'**

Oct. 20 (EIRNS)—Nor Mohamed Yakcop, Malaysia's Second Finance Minister, who was the sole ally of then-Prime Minister Dr. Mahathir bin Mohamad ten years ago in outsmarting George Soros's attempt to loot Malaysia's economy, has reasserted the demand of Dr. Mahathir at that time to end the speculators' power over the real economy. "The world financial system which operates on the 'casino' principles," he said, "must be changed to ensure stability in the international economy, thus allowing developing nations to implement their development programs. The casino principles have proven to only benefit a small circle of investors, while creating a huge damage to the affected nations. Currency speculators made several billions of profit from the 1997 Asian financial crisis, but the damage they created in the region was worth hundreds of billions," he was quoted in *New Straits Times* today.

In 1998, while financier Soros and his hedge fund allies were draining billions out of the Asian nations, Mahathir, drawing directly on Lyndon LaRouche's policy proposals (and *EIR*'s exposure of Soros), working with Yakcop, imposed currency controls and fixed the exchange rate of the ringgit currency, stopping the speculators cold.

## **Thai Professor Challenges the Monarchy**

Oct. 23 (EIRNS)—Giles Ji Ungpakorn, a political science professor at Thailand's Chulalongkorn University, has directly challenged the country's draconian *lèse majesté* law, and the myth of the adoration of the royal family among the population, by identifying the Queen Sirikit as a crucial part of the fascist movement behind the recurring operations to destroy democratically elected government in favor of military-backed dictatorship by the Privy Council. The professor even identifies the "monetarist" economics of this anti-democratic movement, against the "general welfare" policies of the

deposed elected governments.

Ungpakorn, a well-known political analyst, described in an essay published in the *Asia Sentinel* today, the coups and outrageous court decisions which have dismantled two elected governments, disbanded the nation's largest and most popular political party, and banned dozens of leading political figures from politics. This has been run, Ungpakorn writes, by "politicians of the Democrat Party, bureaucrats, army generals, the ultra-rightwing PAD protestors and members of the Royal Family, *especially the Queen*." Note that the King has been near death and has participated very little in the political upheavals, leaving things to the Queen and her controllers on the Privy Council.

"Today in Thailand," Ungpakorn writes, "every public institution is compromised by double standards. This includes the Royal Family, the courts, the media and most of academia.... The PAD have powerful backers which allow it to break the law. Meanwhile the King has remained silent ... [while] the Queen supports the PAD."

## **China's Economic Growth Rate Stalls**

Oct. 20 (EIRNS)—China announced GDP growth of 9.9% for the first three quarters of this year, falling 2.3% lower than that of a year ago, and well below the double-digit growth of recent years. National Bureau of Statistics (NBS) chief economist Yao Jingyuan said that the growth rate "is a hard-earned achievement," given the world crisis, Xinhua reported. "It was achieved on the basis of the current macro-control efforts."

At a Beijing news conference, NBS spokesman Li Xiaochao said that this growth was achieved on a large economic volume. "There are no signs of a definite recovery from the financial crisis," Li said. "The growth rate of the world economy has slowed down noticeably. There are more uncertain and volatile factors in the international economic climate. All these factors have started to release their negative impact on China's economy." Li also said that export growth is slowing, and some companies are running into trouble.

## **Japanese Exports Falling**

Oct. 23 (EIRNS)—Japan's trade surplus contracted 94.1% in September, as import growth outpaced export growth. Exports grew only 1.5% in September from a year earlier, the *Times of India* reported today. Exports to the United States fell for the 13th straight month, while those to the European Union fell four out of the past five months.

The trade surplus was 95.1 billion yen (\$970.1 million), down from 1.61 trillion yen a year earlier, the Ministry of Finance reports. Exports climbed 1.5% to 7.26 trillion yen, while imports climbed 28.8% to 5.65 trillion yen. In August, Japan posted a trade deficit of 327.56 billion yen.

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