EIR Online
Online Almanac
From Volume 7, Issue 48 of EIR Online, Published Nov. 25, 2008

return to home page

LaRouche Webcast
Greatest Crisis in Modern History: The Last Chance for Civilization?

Lyndon LaRouche held an international webcast from Washington, Nov. 18, sponsored by LaRouche PAC....

...What we're involved in today, is a general breakdown crisis of the world financial-monetary system. There is no possible rescue of this system, as such: that is, the present, international monetary system can not be rescued. If you try to rescue it, you will lose the planet. You have to choose: Replace the system, or get a new planet. Those are your choices, essentially. I think that any sane person would say, ``Keep the planet.'' Mars is not particularly hospitable these years; I understand it's rather cold there, at present. So what that means, essentially, is, the world is now operating under an imperialist system, which is actually part of the British Empire....

In-Depth articles from EIR*, Vol. 35, No. 47*

...Requires Adobe Reader®.

LaRouche Webcast

- **Greatest Crisis in Modern History:**
  The Last Chance for Civilization?
  Lyndon LaRouche stated that the post-Bretton Woods financial-monetary system is in a terminal breakdown crisis, and that any effort to rescue it will destroy the planet. 'You have to choose: Replace the system, or get a new planet.' He said the world is now operating under an imperialist system, based in London, but which operates globally. The way out of this crisis, LaRouche added, is to replace the British-inspired money system with a credit system; go back to the U.S. Constitution, and create a 'credit-based dollar' on which to build a new system, after putting the present system through bankruptcy reorganization. The full transcript of the Nov. 18 webcast, including questions and answers.

Economics

- **Brutish Empire Calls for a New Hjalmar Schacht**
  The clear intent of the British is to use this financial crisis to return the world to the way it existed before the American Revolution. The alternative, as Lyndon LaRouche has indicated, is a return to the credit system established by the U.S. Constitution.
- **Business Briefs**

International

- **The Tsunami Is Coming:**

National

History

Editorial

U.S. Economic/Financial News

The Collapse Accelerates after Group of 20 Summit

Nov. 20 (EIRNS)—After the farcical Nov. 15 summit of the G-20, the collapse of the world financial system has accelerated. Here are some of the leading indicators of the carnage:

* Federal Reserve Bank of Philadelphia's general economic index fell to -39.3 in November from -37.5 in October, the fastest pace since October 1990.

* The index of leading U.S. economic indicators fell in October for the third time in four months. The Conference Board's gauge dropped 0.8% after rising 0.1% in September.

* U.S. initial jobless claims rose last week to the highest level since 1992. They increased by 27,000 to 542,000 in the week ended Nov. 15, from 515,000 the prior week. The number of people staying on benefit rolls the prior week rose to 4.012 million, the most since December 1982.

* Crude oil fell below $50 a barrel in New York. Oil has dropped nearly $100 from its July record. On July 11 the price was $147.27 per barrel.

* The stocks of JP Morgan Chase stock fell 18% and the company announced 10,000 layoffs of its investment banking staff; Citigroup stocks fell as much as 26%. The Wall Street Journal online reported that Citigroup is considering selling off pieces of the bank or even the whole company.

* Goldman Sachs dropped below $53 for the first time since it went public almost a decade ago in May 1999. Goldman has lost more than 75 percent of its market value this year.

* GMAC has applied for status as a bank holding company to gain access to the Treasury's bailout fund.

* GM stock value fell to $1.70 earlier in the day, which is its lowest since the 1930s (!), and Ford tumbled to a 28-year low, before rebounding on speculation of a bailout.

* Hedge Fund assets reportedly shrank 9% to $1.56 trillion last month after investors withdrew cash and stock markets declined. Investors pulled $40 billion from hedge funds in October, according to Hedge Fund Research, Inc., while market losses cut hedge fund values by $116 billion. Investors withdrew $22 billion from funds of funds, which pool money to invest in hedge funds.

Home Foreclosures Forecast To Approach 5 Million

Nov. 19 (EIRNS)—Sheila Bair, chairwoman of the Federal Deposit Insurance Corp. (FDIC), told a House committee Nov. 18 that home foreclosures in the United States would more than double in 2009, over this year. Blair said that on top of the 1.2 million Americans whose homes will be repossessed by the end of 2008, the number will jump to 4-5 million during 2009-10, unless Federal action is taken to prevent its. Bair said that the $300 billion Federal mortgage bailout authorized in July legislation was likely to help only about 100,000 homeowners, at most, escape foreclosure; and House Financial Services Committee chairman Rep. Barney Frank (D-Mass.) made clear that the Treasury Department's foreclosure prevention program isn't working at all.

Five million foreclosures represents 10% of all mortgaged homes in the country, and is comparable to farm and home foreclosure rates during the early-1930s plunge into the Depression. Job loss among homeowners' families is now rivalling the plunge in the market values of homes, as the cause. Only one year ago, the Center for Responsible Lending was forecasting 2 million foreclosures over the coming four years, considered drastic then, but nowhere near the home loss that FDIC now officially foresees, "unless action is taken."

In signs of depression collapse, U.S. housing starts in October were the lowest on record (since 1959), at 791,000 annual rate. Home building permits taken out in October were the lowest ever recorded, since 1950, and down 13% from September. November U.S. auto sales appear to be heading for 750,000-800,000—an extreme bottom level—and annual sales for 13-13.5 million, far below the long-known "red line" of 14.5-15 million at which at least one of the Detroit Three is forced into bankruptcy. $2/gallon gas is making no difference.

Hedge Funds Hit With Record Withdrawals

Nov. 21 (EIRNS)—Net withdrawals from hedge funds in October are estimated to have hit $62.7 billion (estimate from data firm Eurekahedge), which is higher than any time since record-keeping for tracking these speculative money pools started in 1990. Still bigger waves of redemptions are in line for the end of the year, as many funds allow only quarterly withdrawals, and have long notice periods which have been activated. Many funds are in a frenzy of stock selloff, preparing for redemption. Others have shut down and/or frozen their assets, or otherwise are setting new limits on withdrawals.

Global Economic News

Like Dracula, the IMF Sucks

Nov. 17 (EIRNS)—To London's great glee, more countries are being forced to line up to be sacrificed at the IMF abattoir.

One of the latest is the tiny nation of Iceland, which, yesterday, made the concessions necessary to get a $2.1 billion IMF loan, including agreeing to compensate individual British and Dutch depositors for their personal losses in the collapse of the Internet bank Icesave, which will cost Iceland some $5 billion. That's right: Iceland shells out $5 billion, in exchange for $2.1 billion! Iceland may also get Dutch and British-financed EU loans, if it behaves. Next on the agenda could be Iceland joining the EU and possibly the eurozone.

Pakistan is also being bled by the IMF ... and the Afghanistan war. Since 2004, the "war on terror" has cost it over 2 trillion rupees—about $33 billion—the Ministry of Finance reported yesterday. Pakistan is a nation of 165 million people, of whom two-thirds lives on less than $2 a day—the official definition of "poverty." Inflation is now 25%, and the IMF is demanding more taxation, including on agriculture. The rupee has fallen 23% to the dollar this year, sending the costs of oil and other imports sky-high. Pakistan is slated to get a pathetic $7.6 billion from the IMF between this year and next, primarily to help the country meet external debt payments by February.

Serbia is also scheduled to get a $4 billion loan from the IMF, in return for government budget cutbacks. The Stockholm daily *Svenska Dagbladet* today warned that the Serbian GDP could collapse by 50% next year.

Belarus is in a tug-of war with the IMF, threatening to pull out of the Fund if it refuses to grant it a $2 billion loan. President Aleksandr Lukashenka told the *Wall Street Journal*: "We survived without IMF loans before, during the severest of times.... If they deny it now ... why should we cooperate?"

Germany's Biggest Chemical Firm Hit by Auto Crisis

Nov. 20 (EIRNS)—BASF, the world's biggest chemical firm, will reduce its global production by 20-25% (temporarily, as the management put it), 80 plants will be closed completely, and another 100 plants will cut back on production. About 20,000 workers are affected by this, 5,000 at the main plant in Ludwigshafen.

BASF CEO Jürgen Hambrecht said that, "in particular, customers in the automotive industry have cancelled orders on short notice," adding that the company was getting prepared for "tough times." The world slump in demand for oil and gas products is another reason for BASF's latest problems. After the Hambrecht announcement, the company's stock shares plunged by nearly 16.8% in afternoon trading, making it the worst performer on the German stock index, the DAX, yesterday.

Meanwhile, crisis news from the automobile industry and related sectors in other European countries came in, yesterday. For example, the British petrochemical firm Ineos (highly indebted) demanded better credit conditions; many other chemical firms are expected to lower their profit margins, and a dramatic worsening of the situation is expected. British auto and jet engine producer Rolls Royce announced plans to lay off up to 2,000 workers, or 4% of its 39,000 global work force, next year.

In Italy, Fiat CEO Sergio Marchionne demanded that all carmakers in Europe receive aid. Marchionne reacted to the German government decision (without asking the EU Commission for permission, beforehand) to support Opel, but his reaction reflects Eurocratic thinking, namely, that it should be a EU policy instead of national government initiatives. But Marchionne is confronted by reality. The EU cannot do anything, and he should turn to his national government. In Italy, the government is confronted with yet another problem: The textile industry, which is the largest in Europe, is warning that 30,000 jobs are immediately threatened.

Power Production Keeps Contracting in China

Nov. 17 (EIRNS)—For the first time in almost ten years, China's power consumption fell 3.7% in October, compared to the previous year. This was the first year-on-year monthly decrease in power consumption since 1999, Xinhua reported. Total electricity generated also contracted, down 4% from October a year ago, the China Electricity Council announced. The Council reported today that "power generation was dragged down mainly by a 5.2% year-on-year decrease in coal-fired power supply, which accounts for about 80% of China's total power." Chinese economists are warning that the fall of power generation is an indication of more industrial contraction to come.

South Korea's Shipbuilders and Automakers See Collapse in Output

Nov. 15 (EIRNS)—About half of some 300 small South Korean shipbuilders are expected to go belly-up through the first half of next year, unless bailout steps are taken, according to industry analysts.

Large shipbuilding firms, they claim, will ride out the current difficulties, as they have ample cash holdings and enough orders for the next several years. But smaller ones are in serious trouble, as it has become almost impossible for them to borrow money from financial companies amid deteriorating global business conditions.

The Korean government and creditor banks are now moving to put the small and medium-sized shipbuilders through drastic restructuring. It has become almost impossible for small shipbuilders to obtain refund guarantees (RG), which they need to receive orders from shipping companies, from banks, because domestic lenders are reluctant to extend credit to small firms. Banks currently only provide RG to cash-rich large shipbuilders. However, creditor banks could end up with massive non-performing loans unless action is taken to help struggling small shipbuilders.

Meanwhile, GM Daewoo has lengthened its previously announced December shutdown of manufacturing and assembly facilities, from two weeks to four. Recently, Korean carmakers have been facing difficulties selling small cars overseas, as market conditions in the U.S. and Europe worsen, and sales of Korean cars there have fallen by 10 to 20% since last year. Renault Samsung is rumored to be stopping production soon, also.

United States News Digest

Rangel, Kaptur Hit Pelosi Over Ouster of Dingell

Nov. 21 (EIRNS)—House Speaker Nancy Pelosi this week rammed through the removal of Rep. John Dingell (D-Mich.) as chairman of the Energy and Commerce Committee, and replaced him with Rep. Henry Waxman (D-Calif.). Waxman is seen as more in line with the "green agenda," promoted by the Democrats. Though Pelosi was officially neutral in the Democratic Caucus election of the committee chairman, the Pelosi operation was the subject of sharp criticism from Reps. Marcy Kaptur of Ohio and Charles Rangel of New York.

Kaptur said, "This is very troubling to the seniority system," because Dingell (who will be the longest-serving House member in history as of February) has such a long record and such institutional knowledge. Kaptur said that Waxman's election means the Democratic Party would be turning further away from the country's heartland and toward the monied coasts (Waxman's district includes Beverly Hills). "Today I weep for the heartland and I weep for a giant among lawmakers who did not deserve this fate," Kaptur said.

Rangel, chairman of the House Ways and Means Committee, and himself under attack by the London-Wall Street financiers, said, "This is the burial of the seniority system." He warned that other chairmen could be targeted by challenges. "I would be surprised if I was challenged, for the same reason that Mr. Dingell was very surprised."

Soros a Kingpin for Filibuster-Proof Senate Majority

Nov. 17 (EIRNS)—The Secretary of State Project (SoSP), established in San Francisco in July 2006, with funds from George Soros and other Democracy Alliance heavyweights, is playing a significant role in a continuing vote count that could give the Democratic Party a filibuster-proof majority in the U.S. Senate. Soros launched the Democracy Alliance in

2004, as a secretive club of billionaires who pooled their funds to establish a parallel Democratic Party structure. The DA's offspring, the SoSP, targeted the state-level positions of secretary of state, because of their influence in determining the outcome of elections. The SoSP also drew money from scandal-tainted community-activist group ACORN.

The SoSP set its sights on seven states that it estimated would be "battleground" states in 2008: Colorado, Iowa, Michigan, Minnesota, Nevada, New Mexico, and Ohio. In 2006, its operatives won five secretary of state offices; the exceptions were Colorado and Michigan. One of the poster boys of the SoSP was Mark Ritchie in Minnesota. Ritchie had been a community activist, working with ACORN, was elected secretary of State in 2006, and is now the key player in an election recount which could, according to some accounts, help give the Democrats a filibuster-proof majority in the Senate. Several hundred votes are all that separate Democrat Al Franken from incumbent Republican Norm Coleman in the battle for the Senate seat, and, although Coleman declared victory weeks ago, Franken's vote count is getting slowly and steadily higher.

AIG's Demise Means Your Transit System May Shut Down

Nov. 17 (EIRNS)—Some 30 metropolitan transit systems across the nation are at risk of shutdown, due to the collapse of insurance giant AIG. Between 1988 and 2003, transit agencies went to "the market" to get financing to build their transit systems. The deals required a AAA-rated insurer to guarantee the transaction, and AIG was the prime guarantor on $1.5-4 billion. So when AIG lost its AAA rating recently, all the deals it had guaranteed were put into "technical default." Vulture bankers have begun to exercise their option to demand immediate repayment of their investments, which could put many of these companies out of business, which means no more bus and subway service.

Lyndon LaRouche noted that this is similar to the way that the collapse of letters of credit is bringing world shipping to a halt.

Ibero-American News Digest

British Attempt To Silence LaRouche in Argentine Congress Fails

Nov. 18 (EIRNS)—Acting on behalf of Her Majesty's empire, the Argentine-British Parliamentary Friendship Group in Argentina's Congress tried to cancel the scheduled showing of Lyndon LaRouche's Nov. 18 webcast in an auditorium of the Argentine Congress. The attempt failed. The showing came off, albeit after a scramble to find a new room in the Congress.

The videoconference had been approved two weeks before, and the LaRouche Youth Movement had put up hundreds of posters announcing the event in universities, ministries, and other centers in Buenos Aires. But the day before the webcast, a Congressional office informed the LYM that the showing was cancelled, because the Argentine-British Friendship Parliamentary Committee had requested that very room, at the same time, for a discussion, ironically enough, of freedom of speech!

This was no Argentine action. This Congressional group of "Friends of the Empire" was created at the behest of British Ambassador John Hughes in 2005. This past Nov. 7, the would-be British colonials organized a barbecue for Ambassador Hughes, who is leaving his post, in order to freely discuss "without jackets or ties" (and who knows what else) past collaboration between the Congress group and the British Embassy, and to "plan new initiatives for the future."

Argentina Re-Nationalizes Pension System; Chileans Say 'Do It Here!'

Nov. 21 (EIRNS)—With a vote of 46-18, the Argentine Senate yesterday passed legislation submitted by President Cristina Fernández de Kirchner which nationalizes the private pension system established in 1994, which was modeled on that created in 1981 in Chile by the fascist Pinochet dictatorship.

In Argentina, it was then-President and International Monetary Fund poster-boy Carlos Menem, and his Harvard-trained Finance Minister Domingo Cavallo, who did the City of London's bidding in setting up the private system, with the intention of eventually doing away with the state-run system altogether.

Now, the $25 billion in private pension funds are returned to state control, with the stipulation that they be invested in long-term infrastructure and productive projects domestically, but absolutely *not* invested abroad. In Chile, almost 80% of the private pension fund of $110 billion was invested in speculative instruments abroad, garnering losses this year estimated to be between a third and 40% of the total.

It is instructive that of the 39 people who stood up in the Senate to speak about the bill, including supporters and opponents, *no one* defended the private system. In fact, a majority of the speakers charged that the AFJPs, or private funds, had "looted" workers. "This is a historic day of reparations to workers and retirees," Labor Minister Carlos Tomada jubilantly declared. "This is a law which once against establishes the State as the main guarantor of social security."

The government's victory has left people such as former IMF official Claudio Loser, now at Wall Street's Inter-American Dialogue, out of sorts. Writing in the *Latin American Advisor* newsletter, he bellowed that the pension nationalization was "one of the most blatant acts of financial piracy in the country's recent history."

But across the Andes, activists who have fought for years to overturn Pinochet's private pension system, are thrilled, seeing it as a hopeful sign for Chile. One feisty organizer who worked with the LaRouche movement in 2005-06 to expose George Bush's plan to privatize Social Security Chilean style, told EIR News Service that, "to be provocative, I've said that [President Michelle] Bachelet should have the balls to do what Cristina did!"

Ecuador Challenges Usury of Foreign Debt System

Nov. 20 (EIRNS)—Presented today with the final report of the government's Commission to Audit the Public Debt, Ecuadorian President Rafael Correa announced that his government will seek to halt payments on the foreign debt, because it is "illegitimate, corrupt, and illegal." Those who contracted the debt "through trickery, blackmail, and treason" should repay it, he suggested.

Six days before, Ecuador failed to make a $30.6 million interest payment due on its Global 2012 bond, announcing it would use the 30-day grace period which the debt contract allows, to review the situation and consider if the debt was legitimate or not.

Correa defined the debt audit as Ecuador's contribution to setting parameters for reform of the international financial architecture.

The 172-page final report was issued after a year of painstakingly sifting through what documentation exists (and doesn't exist!) on 30 years of ever-expanding foreign debt. The mechanisms employed typify the system of debt looting imposed on all developing nations under the Anglo-Dutch floating-exchange-rate system begun in 1971. The report effectively lays bare the illegality of a monetary system, as opposed to an anti-usury sovereign credit system as adopted in the U.S. Constitution.

The extent of the looting is seen in the debt totals themselves. Ecuador's foreign commercial debt alone grew from US$115.7 million in 1976, to over US$4.1 billion in 2006. Over that same period, Ecuador's net transfers to international private banks totalled US$7.13 billion. This looting mechanism is what *EIR* has dubbed "banker's arithmetic": $115.7 *million* minus $7.13 *billion* equals $4.16 billion! Pure usury.

What Fool Would Listen to a Nazi Drug-Pusher Like Soros?

Nov. 20 (EIRNS)—The decision to invite the unrepentant, Nazi-trained speculator George Soros to be a featured speaker at this weekend's conference on "The Emerging Global Financial Order: A Regional Perspective," in the Dominican Republic, discredits that seminar in advance as a worthless event. Soros is the leading drug-pusher in the Caribbean, and anything that features him is to be *abhorred*, Lyndon LaRouche remarked today.

The conference is being co-sponsored by President Leonel Fernández and the United Nation's Economic Commission on Latin America. Several Presidents of Central America and the Caribbean are scheduled to attend, along with Western Hemisphere IMF director Nicolas Eyzaguirre, Organization of American States secretary general José Miguel Insulza, the finance ministers of Mexico and Brazil, among others.

Western European News Digest

Maastricht EU Deficit Rule Is Officially Dead

Nov. 22 (EIRNS)—The European Union officially lifted the 3% deficit straitjacket yesterday, which forbade government credit creation by limiting fiscal deficits to 3% of GDP for each member country. This was done by using the current treaty, which allows this in "extraordinary circumstances." The decision is the result of Germany finally agreeing to the change, while, however, rejecting French President Nicolas Sarkozy's more ambitious demand that the Maastricht Stability Pact rules be rewritten, according to the Nov. 21 *Financial Times*.

The decision was taken because, if the EU wants to implement a stimulus package, even a limited one, where each member-state puts in 1% of its GNP, there are already four major countries which cannot do it without violating the 3% cap: France, Italy, Great Britain, and Spain. A member of the French EU chairmanship is quoted in the *Financial Times Deutschland;* saying: "We must act. The budget balancing will be postponed to a later date."

Calls for a Mittelstand Support Fund in Germany

Nov. 20 (EIRNS)—Two-thirds of *Mittelstand* (small to-medium-size) firms in Germany, a Price Waterhouse Cooper poll found, now expect sinking profits for 2009; half a year ago, 54% still did not feel affected at all by the crisis. The situation has alerted several state governments of Germany, notably of Baden-Württemberg and Bavaria, which are home to many firms in the automobile supplier sector and in machine-building.

In his meeting with managers of Bavarian carmakers yesterday, Bavarian Gov. Horst Seehofer called for a banking umbrella also for the *Mittelstand*, to deal with its present acute liquidity problems. Seehofer said he thought of an increased role of the state banks here, like the Kreditanstalt für Wiederaufbau (Reconstruction Credit Agency) and the LfA Bank of Bavaria. Guenter Öttinger, governor of Baden-Württemberg, said he sees a special role of LBBW, that state's bank.

But given the world systemic crisis, insular financial initiatives will not help the *Mittelstand*. The LBBW lost at least Eu350 million in the speculative bubble in Iceland.

New Terrorist Threats Against France

PARIS, Nov. 19 (EIRNS)—A French foreign ministry official said the government is taking seriously threats from the Taliban that it will attack France, if it doesn't pull its troops out of Afghanistan. The official told reporters in Paris today that France takes the threat "seriously," but is not increasing security measures, because anti-terrorist vigilance is already high. The official said a video broadcast this week by Arab satellite television "Al-Arabiya," purportedly from the Taliban, appears to be "a few months old." He said it included threats to attack France.

"Al-Arabiya" showed a video Nov. 17, supposedly from the Taliban, claiming responsibility for the ambush near Kabul three months ago, which killed 10 French troops and left 21 wounded. The authenticity of the video couldn't be verified, but it shows weapons, uniforms, and medals taken from the French soldiers.

As far back as Jan. 3, 2008, a message promised to "bring to an end the ambitions of French President Sarkozy in North Africa," and to provoke "the economic collapse of the French economy on an international level." Two days later, new threats were found on the Internet by a U.S. intelligence unit monitoring al-Qaeda's communications. The threats were aimed "against Paris and against its Mayor Bertrand Delanoe," in order to bring about "the fall of Nicolas Sarkozy." Other personalities and densely populated locations such as the Eiffel Tower, the Champs-Elysées, Charles de Gaulle Airport, or the Paris business district of La Defense, were also threatened.

Unemployment in Britain Could Hit 2 Million

Nov. 22 (EIRNS)— According to London *Times* deputy business editor Ian King, publicly held companies in Britain have announced 45,000 job cuts in the last two weeks, but "these job losses are only the ones we know about," as job cuts by smaller firms are hidden from public view.

The Real 'Bad News' Is Frau Merkel

Nov. 22 (EIRNS)—German Chancellor Angela Merkel promises "a year of bad news," while handing out billions to banks. In an interview with this week's issue of *Welt am Sonntag*, Merkel sticks to the G-20 line, saying that the financial markets have been "stabilized," but the interbank market has not restarted yet. Measures are being prepared, but, Merkel said, "We must expect that the coming year, at least in the first months, will be a year of bad news."

More interesting are the five pages of readers' comments which follow Merkel's remarks: One says: "The bad news is Frau Merkel"; another: "Is this the same person who told us a few months ago that the crisis had to do with the U.S.A. and not Europe?" A third contrasts Merkel's "corrections" policy with German President Horst Köhler's recent discussion about a new Bretton Woods, which he said means "replacing the Anglo-Saxon economic system."

While Merkel's words foretell sacrifices for the citizen, the German government is handing out billions to banks. Hypo Real Estate has announced that it will apply for Eu20 billion from the government guarantee fund, SoFFin. This is in addition to the Eu15 billion HRE had received at the end of October.

Swedish Parliament Votes Up Lisbon Treaty

STOCKHOLM, Nov. 22 (EIRNS)—Just before the midnight hour, Nov. 20, the Swedish parliament voted to attempt a resurrection of the corpse of the Lisbon Treaty, which had been killed by the Irish referendum. The left and the green parties voted against it, together with one MP from the government coalition. The Social Democrats made a solo pirouette to defend the labor rights of the "Swedish model," but then all voted for the Treaty. Had the trade unionists among the Social Democrats voted "No," the Treaty would have been stopped, as there was a three-fourths majority requirement. The treaty requires unanimous approval by all EUR member countries in order to pass, and Ireland already turned it down.

Russia and the CIS News Digest

Putin Lays Out Emergency Measures for Russian Economy

Nov. 20 (EIRNS)—Following President Dmitri Medvedev's attendance at the worse-than-sterile Nov. 15 Group of 20 nations summit in Washington, Russian leaders plunged into a whirlwind of policy sessions and political meetings, aimed chiefly at stabilization of the rapidly worsening economic situation inside Russia itself. Medvedev addressed a session of the State Council in Izhevsk on Nov. 18, the finance and economic ministers and Central Bank chief testified before the State Duma yesterday, and Deputy Finance Minister Dmitri Pankin laid out several measures in a press conference on Nov. 17. The keynote for the week was Prime Minister Vladimir Putin's address to today's conference of United Russia, the majority party in the Duma.

Urgency was the order of the day, as Putin demanded that major tax and related reforms be instituted by the first of next year, and some of them as early as the end of November. What he presented for the rescue of Russian industry included some promising concepts of government-mandated credit creation, earmarked for building infrastructure and high-technology industry. At the same time, what Putin enunciated as Russia's international posture was potentially fatally limited. Like Medvedev in Izhevsk, he placed a primary emphasis on cooperation within the Commonwealth of Independent States (CIS, the large part of the former Soviet Union), and with China and India.

Absent was any clear concept of an initiative addressed to the United States, or even the European Union, although Putin is clearly disgusted with the free-trade agenda of the World Trade Organization et al. Going into the G-20 meeting, Medvedev had said that a follow-on international summit on the global financial system would be required in the very near future, but the G-20 set only a late-April 2009 get-together in London. Neither Putin nor Medvedev pushed this agenda in their speeches during the week after the summit.

Putin alluded to the intractable disease of the current world financial system, but did not elaborate this idea. He compared the current global crisis with a natural disaster, saying, "Within the existing world financial system, nothing could have been done to prevent it, just like a natural disaster." He did not elaborate the implication, namely, the need to replace that system.

Addressing the State Duma Nov. 19, Economics Minister Elvira Nabiullina said flatly that the economic model Russia has relied upon hitherto, featuring high revenues from oil and natural gas exports, is a dead letter. Putin took up this point. As far as foreign currency reserves go, he said, Russia was well prepared for the crisis. But that is not enough. The raw-materials export dependency of Russia is a serious weakness, requiring immediate attention to economic diversification.

Reviewing education and health care, Putin promised that Russia would meet its budgeted obligations to the population, no matter how low the price of the oil it exports might fall.

Putin presented a program of credit-generation using Russia's own resources, even as the banking system remained nearly frozen and a non-payments crisis mounted. The prime minister said, "In previous years, many Russian companies borrowed money abroad. This is normal. But now the Western banks themselves have gotten into trouble. Today we need to solve the problem of credit for domestic companies and plants almost entirely using our own financial resources. We can do this. The national savings rate in Russia is fairly high. Our economy generates a high level of income. But, we need to transform this income into capital for development." While the government has directed 5 trillion rubles ($185 billion) into supporting Russian banks and companies, Putin said, strict measures are needed to ensure that "these resources reach the real economy, and are not wasted in financial speculation." A new 50 billion rubles ($1.8 billion) will go to save defense-sector companies from bankruptcy.

These are matters of life and death, Putin said, citing the recent murder of Central Bank deputy chairman Andrei Kozlov, who was investigating the criminal misappropriation of funds.

Putin called for the creation of "'long money' for long-term, capital-intensive projects." To accomplish this, he called for expansion of the program under which commercial banks can obtain preferential financing from the Central Bank, earmarked for the purchase of bonds issued by companies in the real sector of the economy. In parallel, he said, "there should be broader use of the potential of our development institutions, as well as banks that are partially state-owned." Government and state-owned banking support to the real sector should emphasize the improvement of infrastructure, he said.

Outlining a package of tax breaks and incentives for real production and high-technology investment, Putin demanded that they be put into effect as of Jan. 1. Cuts in the tax on corporate profit, for real-sector companies, should be implemented for the fourth quarter, with laws being adopted by Nov. 28. Adjustments in VAT collection, corporate profit tax, and so forth, are being designed to assist the defense sector and small and medium-sized businesses.

Speaking Nov. 18 in Izhevsk, President Medvedev noted that the G-20 participants had "signed on the dotted line" to avoid protectionism, but he said he fully expected nations to act to protect their own economies. Putin made clear that Russia will attempt to do so. He said, "We shall use customs and tariff protection for our domestic market, such as in agricultural goods." Spelling out a program of price preferences for domestic producers in designing state orders, Putin said, "I think that protectionism of this sort is a temporary measure, but it is entirely appropriate today."

Putin gave less lip service to globalization and free trade, than either Finance Minister Alexei Kudrin or Medvedev have done in their recent statements. "Of course we'll continue negotiating about WTO membership," said Putin, "but, at the same time, I consider it extremely important, and a priority, to exploit the advantages of cooperation within the post-Soviet area." He said his government would pursue consolidation of the Customs Union of Russia, Belarus, and Kazakstan.

As Pankin had announced on Nov. 17, Russia will give the International Monetary Fund $1 billion to help poor countries. Said Putin, "We are also allocating credits to China and India against their purchase of Russian equipment, thus securing jobs and profits for our companies." Russia is lending $2 billion to Belarus, which has been in anguish over the terms for obtaining a similar-sized credit from the IMF.

Putin outlined programs for instantaneous job-creation in medium-sized industries, "starting from scratch," as layoffs spread in the auto and steel sectors.

See also, Business Briefs in InDepth for, "Russia: Crisis in Real Economy as Wage Arrears Grow."

Russian Nuclear Power Delegation in India

Nov. 20 (EIRNS)—Rosatom director Sergei Kiriyenko is heading a delegation in India this week, to inspect progress at the Kudankulam plant, where Russian reactors are being installed. Two 1-GW reactors are being built, with a memorandum of understanding having been signed for four more. A hundred Russian engineers are working onsite. The visit is part of the lead-up to President Dmitri Medvedev's state visit to India in December.

LaRouche Webcasts Shown in Moscow

Nov. 24 (EIRNS)—On Nov. 13, excerpts from Lyndon LaRouche's July 22 and Oct. 1, 2008 webcasts were the centerpiece of a seminar held at the Moscow State Institute for International Relations (MGIMO). This famous university comes under the Foreign Ministry of the Russian Federation. The event was an open seminar, organized by the Financial Markets Department of MGIMO, on the topic "The International Financial Crisis and How To Overcome It." About 70 people attended, including students from the economics, diplomatic, and international journalism departments, and half a dozen professors. The LaRouche speech excerpts were presented with Russian voiceover.

The seminar was advertised for several days in the announcements section of the MGIMO website as a chance to learn the latest from the American economist Lyndon LaRouche, the person who correctly forecast every major event in world finance and the economy, from the 1971 break-up of the Bretton Woods system through the current crisis.

Southwest Asia News Digest

[Miliband Visits Syria To Renew Intelligence Links]

Pressure on Obama To Push for Israel-Palestine Solution

Nov. 21 (EIRNS)—Three prominent figures in the American foreign-policy establishment—Brent Scowcroft, Henry Siegman, and Zbigniew Brzezinski—have called on President-elect Obama to take immediate action, on Jan. 21, 2009, to reach a two-state solution to the Israel-Palestine conflict.

In a Nov. 21 *Washington Post* op-ed, Scowcroft and Brzezinski called for a Presidential announcement on the day after the inauguration: "A key element in any new initiative," they wrote, "would be for the U.S. President to declare publicly what, in the view of this country, the basic parameters of a fair and enduring peace ought to be. These should contain four principal elements: 1967 borders, with minor, reciprocal and agreed-upon modifications; compensation in lieu of the right of return for Palestinian refugees; Jerusalem as a real home to two capitals; and a nonmilitarized Palestinian state." While acknowledging weaknesses in the current situation, including the Hamas-Fatah split and the upcoming elections in Israel, the authors asserted, "This weakness can be overcome by a president speaking out clearly and forcefully about the fundamental principles of the peace process; he also must press the case with steady determination. That initiative should then be followed—not preceded—by the appointment of a high-level dignitary to pursue the process on the president's behalf, a process based on the enunciated Presidential guidelines."

In an Nov. 13 article in *Al-Hayat*, Henry Siegman, the director of the Middle East Project at the New York Council on Foreign Relations, on whose board sit both Scowcroft and Brzezinski, warned that "the next occupant of the Oval Office will be the last American president to be able to save the two-state solution to the Israel-Palestine conflict. If he does not pursue and achieve this goal during the first year of his Presidency, the two-state 'horizon' that President George W. Bush pursued so ineffectively is likely to disappear for good." Siegman added, "The terms of a workable agreement—formulated in the Clinton Parameters and elaborated in the Taba discussions that followed—are well-known, and enjoy near-universal support. What has been missing is the political will to get the parties to act on these parameters—a political and moral failure that has doomed all previous efforts. This failure has not been the result of ignorance, but of cowardice—a willful disregard by successive American administrations and by much of the international community of certain unchanging fundamentals that underlie this conflict."

Sources close to the Obama Transition Team report that a private memorandum, signed by Siegman, Scowcroft, and Brzezinski, was delivered to the President-elect, making the essential points of the two op-eds. These sources say that the pressure on Obama to act immediately after his inauguration is tied to the Israeli elections in February. Siegman et al. believe that if Likud chairman Benjamin Netanyahu is elected, the peace opportunity is dead, and that a strong signal from the new President about serious focus on the Israel-Palestine situation could be the decisive factor in defeating Netanyahu.

Siegman is known to act independently of the CFR, although he maintains an office on its premises and enjoys CFR sponsorship of his Middle East efforts, because he draws a significant amount of money into the Council. Two big financial backers of his Project are members of the Crown and Pritzker families—two of the earliest and biggest backers of the Obama Presidential campaign.

Miliband Visits Syria To Renew Intelligence Links

Nov. 19 (EIRNS)—The London *Times* reports that the main reason for British Foreign Secretary David Miliband's visit to Damascus was to renew high-level links between the British and Syrian intelligence services. This had already been brought up during a meeting between Miliband and Syrian Foreign Minister Walid Moallem in New York earlier this year, according to Syrian sources cited by the *Times*. Moallem invited Miliband to take British intelligence officials with him when he visited Damascus.

Miliband's visit to Damascus was the first by a British Foreign Secretary in seven years, and is being presented as an attempt to give President-elect Barack Obama a message that he should drop the Bush Administration's anti-Syrian policy when he enters office. A more likely intention is that the British intend to run interference against a positive U.S. role in the region, in line with their Sykes-Picot strategic policy of dividing the Mideast into competing fiefdoms under imperial control.

Asia News Digest

Fearing Unemployment, China Acts To Prevent Social Unrest

Nov. 18 (EIRNS)—So concerned is China's government about the impact of the global breakdown crisis on its economy, that the Ministry of Human Resources and Social Security has enacted measures to "help protect social stability." Ministry official Liu Junsheng told the *China Daily* Nov. 17 that social stability is now "more important than economic development."

In a directive issued Nov. 17, the ministry announced that China's provincial and local governments must give "top priority" to keeping workers on the job. Not only the cheap-export-oriented industries, but also China's steel, aluminum, auto, and other basic industries, are laying off large numbers of workers. The ministry is demanding not only measures to control the layoffs, but also emergency plans to prevent, or deal with, large groups of unemployed workers. In the export sector, some bankrupt foreign factory owners have shut down and fled China, leaving unpaid workers on the streets.

Shandong and Hubei provinces are now requiring companies to get prior approval for layoffs of more than 40 workers, which is a stricter amendment of the national labor contract law, which came into effect in January. This year so far, almost 700,000 workers have lost their jobs in Shandong, a center of export production. China's state-owned companies in finance, oil, power, and telecommunications, have been told to cut wages, not jobs.

Soros to China: Go Green, Fund the IMF

Nov. 20 (EIRNS)—Pro-nazi drug-legalizer George Soros, who was thrown out of China for financing an attempted "regime change" in 1989, was interviewed in the Chinese economics newspaper *Caijing* on Nov. 1, where he peddled green fascism and a return to the anti-FDR policies of eugenicist John Maynard Keynes. Soros admitted that he had he lost a bundle on speculation on Asia and Southwest Asia: "I thought that China and India and the Gulf States would be immune to the crisis, but they were not. That has been a source of actual loss for me—a lot of money."

But his bets will be made good, he said, if China implements three things: political and economic liberalization; use of its reserves to bailout the IMF; and going green in place of industrialization. China, he said, must "stimulat[e] investment in preventing global warming, because that is a problem that is facing the world. I hope that both the U.S. and China will introduce energy saving and alternative energy generation as a way of stimulating the economy, because that is what you need to come out of this global recession."

Soros also exposed his own fascist proclivities: "We are back to Keynes," he said. "He had the right idea for the 1930s, and these ideas have come back in a cyclical fashion, and they are right for the 21st century." Keynes wrote, during the 1930s, that his policies were better implemented in a fascist dictatorship like that of Germany under Hitler.

Japan May Reverse Privatization of Postal Bank

Nov. 20 (EIRNS)—Japan's Prime Minister Taro Aso has given his support to a bill, now before the Diet (parliament), mandating a freeze on the privatization of the Japan Postal Bank. This privatization was the work of neocon Prime Minister Junichiro Koizumi (2001-06). The Postal Savings Bank, the largest in the world, served as a means for government direction of private savings into infrastructure and general welfare policies—a reflection of the American System policies that dominated post-war Japan's economy. Koizumi rammed through the break-up of the bank, with a plan to begin selling off the government shares in the banking and insurance divisions over the next year.

The bill, which passed the upper house of the Diet and is now before the lower house, calls for freezing the process because of the miserable market conditions. The government says it is not trying to reverse the privatization altogether, but the Japanese press reports make clear that if the freeze is implemented, then the massive opposition to the privatization in Japan will be given a new life to overturn it. Kyodo News says the freeze "could lead to a review of the privatization process," noting that reversing the privatization would be very popular, and help the ruling LDP in the elections which are expected soon.

Karzai Threw a Monkey Wrench at Both Bush and Obama

Nov. 17 (EIRNS)—In a move intended to surprise Washington, and also to distance himself from U.S./NATO policies, Afghan President Hamid Karzai has promised Taliban leader Mullah Omar that the government would provide security "at any cost," if he agrees to enter into peace talks. Omar, head of the Afghan Taliban, is one of the three most-wanted individuals by the foreign troops operating in Afghanistan.

There are a number of reasons why Karzai made this move: First, to secure his own physical survival, as it is evident to him that he will be replaced in the Presidential election next year. The British-Saudi nexus is moving things in that direction, while Karzai is also under constant attack in the U.S. for the alleged corruption inside his administration. Karzai is also aware that in the long run, the hard-core Taliban, represented by Mullah Omar, is likely to be back in power, courtesy of the British.

Last week, a massive bomb destroyed the home of Karzai's brother, Ahmed Wali Karzai, in Kandahar, sending yet another message to the President. Karzai is aware that the October meeting in Mecca, between the Saudi-backed more moderate Taliban, represented by the former Taliban Foreign Minister Wakil Ahmad Mutawakkel, and Karzai's representative, was a Saudi effort to get control over Kabul, at the cost of inciting anger of Tehran. Karzai maintains friendly relations with Iran.

The British-Saudi moves to make a deal with the Taliban were reported in an Oct. 10 *EIR* article, "Is the Anglo-Saudi Crowd Plotting an October Surprise?" describing a deal with Taliban in return for turning over Osama bin Laden. Such a deal could still take place before Bush and Cheney leave office.

The timing of Karzai's announcement also relates to the internal situation in the U.S. First, there is the vacuum in U.S. policy following the elections, which will exist at least until the new President takes office in January. In part, Karzai is acting preemptively. The second reason is a recent statement by Gen. David Petraeus, who became head of U.S. Central Command on Oct. 30. During his inaugural visit to Islamabad, Pakistan on Nov. 2, Petraeus said he wanted to separate the Taliban from al-Qaeda, by adopting political strategies aimed at reconciling the former with an Afghan government. But Karzai knows the so-called moderate Taliban, represented by Mutawakkel, has no ability to separate al-Qaeda from the hard-core Taliban. Only Mullah Omar can do that.

Africa News Digest

Malloch-Brown Lines Up His Pawns for a Prolonged Crisis in Congo

Nov. 21 (EIRNS)—Lord Mark Malloch-Brown, the British Minister for Africa, Asia and the United Nations, and suspected controller of George Soros, gave full support to Rwanda and Rwanda-backed rebels operating inside Congo, at the end of his trip yesterday to the Democratic Republic of Congo and neighboring Rwanda. The anti-Congo rebels, whose backing reportedly comes primarily through Rwanda, kicked off the catastrophic destabilization in eastern Congo when they broke a ceasefire in August, and marched toward Goma, the provincial capital of North Kivu.

Malloch-Brown's concern, on behalf of the London-based imperial financial cartel, is to prevent any effective intervention that would end the destabilization while defending the sovereignty of Congo. The destabilization has driven as many as 250,000 people from their homes, according to reports.

After a lengthy meeting with Rwanda President Paul Kagame yesterday, Malloch-Brown rejected any suggestions that the anti-Congo rebels are assisted by Rwanda. The anti-Congo rebel force, the National Congress for the Defence of the People (CNDP), is led by a Kagame associate from Rwanda, Laurent Nkunda. Malloch-Brown said, "We completely reject allegations that the CNDP is a Rwandan force," according to an AFP release. However, because the British are seeking to make the destabilization appear to be a local affair, the London press has reported that active-duty Rwandan soldiers, as well as decommissioned members of the Rwandan military, have crossed into Congo.

Malloch-Brown asserted that the "CNDP is a reactionary force. It has been created by internal issues that country," retailing the Rwandan argument that there are Rwandans (who participated in the 1994 civil war/genocide in Rwanda) who fled into Congo, which represent a threat to the Rwandan government. Malloch-Brown is blaming Congo, which doesn't have the resources for a competent military, for not mopping up this anti-Rwandan group hiding out in Congo. He said this force, and other militias in the area (some of which are backed by the government, because it's military is so weak), is the "cancer" causing the problem in the region.

Malloch-Brown said the U.K. partnership with Rwanda is very strong, that their meeting was "extremely good," and that "Britain will partner with Rwanda in finding a process to ensure peace in eastern Congo." He spent three days in the D.R.C. before spending a day in Rwanda.

The Rwandan civil war/genocide, and the subsequent war in Congo, was instigated by the financial cartel. More than 5 million people have died in the eastern Congo since Uganda and Rwanda invaded the area in 1998, according to the International Rescue Committee. Those, such as Malloch-Brown, who claim to be concerned about the humanitarian disaster in eastern Congo, have done nothing to aid the development of the Congo generally, and this mineral- and agriculturally-rich area in eastern Congo in particular. Aid for a nation-building development strategy for the D.R.C. would have made it possible to eliminate the problems in the area which are making the destabilization possible. Malloch-Brown continues to carry out the population reduction policy designed by the British, and which has also been the mainstay of U.S. foreign policy since Henry Kissinger adopted NSSM 200 from the British.

London Lays Groundwork for Military Intervention in Congo

Nov. 23 (EIRNS)—The European Parliament on Nov. 20 urged the EU to send special forces to the Democratic Republic of Congo (D.R.C.). Today the BBC cited Jean-Marie Guehenno, the UN's ex-peacekeeping chief, who said that the 3,000 additional UN peacekeepers that have been approved for the D.R.C., "need to be elite soldiers from Europe."

The London forces are setting the stage for an intervention that will destroy the sovereignty of the D.R.C., in the guise of making an intervention to deal with the catastrophic humanitarian crisis that has been set up by London's assets, via the D.R.C.'s neighboring states of Rwanda and Uganda.

The rebel leader, Laurent Nkunda, a Rwandan asset, has doubled the area inside the D.R.C. under his control since he broke a ceasefire in August. He now controls both roads leading to the North Kivu provincial capital, Goma, and is forcing D.R.C. President Joseph Kabila to deal with him. Kabila is reportedly talking to Rwanda President Paul Kagame daily. Nkunda is installing mayors and police officials in the area he controls, and setting up taxation. Goma has a population of 600,000, and 250,000 people have been displaced from Goma and the surrounding area since the beginning of Nkunda's offense. Nkunda said, at the end of October, that he wants to rid the D.R.C. of President Kabila.

The D.R.C. and its allies are trying to avoid getting caught in the trap being set by London, in which London controls all the options. D.R.C. officials, including Faida Mitifu, Ambassador to the United States, are calling for a stronger mandate for UN peacekeepers, whose actions are now constrained.

Kabila was in Angola on Nov. 21 for talks with President Dos Santos, who condemned the armed rebellion and the possible external interferences. The two Presidents called for the various peace agreements made earlier to be urgently implemented, and for greater global aid for civilian victims of the destabilization. On his way to Angola, Kabila also met President Denis Sassou Nguesso of the neighboring Congo Republic. Sassou Nguesso also supported Kabila. A special summit of the ten-nation Economic Community of Central African States (ECCAS), dealing specifically with the Congo crisis will take place this week in Kinshasa. The precise date is yet to be announced.

The London forces are conducting this operation before the new Democratic administration is installed in the United States, so as to establish a new precedent for subsequent military interventions in Africa, using manipulated humanitarian crises as the pretext to be used against any country that they target for political reasons, instead of the War on Terror justification used during the last eight years.

Since the D.R.C. army is largely dysfunctional, with soldiers in eastern Congo not being regularly paid or well trained, and are provided no accommodations and food, Malloch-Brown claims that the D.R.C. is part of the problem. and thus an international intervention is needed. This concern is a fraud. Nothing has been done by those who claim now to be so concerned, in the ten years since the end of the Joseph Mobutu regime, to build up the country, so that it could have a competent military.

top of page