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**LaRouche's Historic Webcast:**  
**President Obama's Options**

*Lyndon LaRouche addressed an international Webcast Jan. 16, just days before the historic inauguration of President Barack Obama....*

...To begin with, before getting into the questions and my response to them, I would remark that I'm focussed, at this point, in my direct remarks here, on the situation posed by the appearance of Paul Volcker, in the committee, the 30 Group, which recently met. No one knows exactly what President Obama is going to conclude on the issue of the international monetary-financial crisis. I haven't talked with him; and he has, of course, restrained himself on a number of matters, pending the time that he is the actual President, as opposed to speaking as a President-elect. So my concern is to try to clarify exactly what President Obama {must} consider, in making crucial decisions which bear upon international relations, particularly those affecting the world economy....

**In-Depth articles from EIR, Vol. 36, No. 3**  
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## This Week's Cover

- **LaRouche's Historic Webcast:**  
**President Obama's Options**

In his Jan. 16 pre-inauguration webcast, Lyndon LaRouche addressed what President Obama must consider as he makes his decisions on the international monetary-financial crisis. LaRouche said that when he forecast, on July 25, 2007, the imminent collapse of the international financial system, he was talking about the \$1.4 quadrillion international financial derivatives bubble, which is still growing. Most of these financial claims are going to have to be wiped from the books in a bankruptcy reorganization, shutting down the derivatives market while the physical economy is put under protection, if the nations of the world are to survive. He said that the world banking system, in its present form, can not be saved. But we can save the physical economy, and then develop a credit system, as best understood by Alexander Hamilton. The responsibility of carrying this out for mankind, is what is confronting Obama now.

## Feature

- **Lessons of History:**  
**London Is Pushing a Hundred Years War**

There have been 100 years of conflict in Southwest Asia since the advent of the imperial Sykes-Picot treaty. The Londonbased imperial financial empire is announcing that it intends to keep these conflicts going for another 100 years.

- **When America Fought the British Empire and Its Treacherous Sykes-Picot Treaty**  
**by Dean Andromidas**

The cause of the wars in Southwest Asia is the Anglo-French Sykes-Picot agreement of 1916, not anything internal to the region

today. Forces in the United States understood the danger of that imperial system, and particularly, of British manipulations to grab the remnants of the dead Ottoman Empire, at the close of World War I. These patriotic Americans tried to block it—a story hitherto suppressed.

- **It Is Time To Bury the British Empire!:**

- British Deception Responsible for Palestinian Bloodshed Today**

- Hussein Askary** relates how the British Empire, while fostering Zionist territorial aspirations, simultaneously promoted Islamic fanaticism in order to play the two, both against each other, and against other legitimate nationalist and antiimperialist forces. The story of T.E. Lawrence 'of Arabia' and his pawns.

- **Netanyahu's Godfather:**

- How British Imperialists Created the Fascist Jabotinsky**

- by Steven P. Meyer**

- The armed conflict in Israel today is the continuation of almost a century of British-staged armed conflict between Arab and Jew that dates back to the Nebi Musa riots of 1920, just months after the close of World War I, as the British settled in to occupy Palestine. It was the top British imperial circles who sponsored the fascist Vladimir Ze'ev Jabotinsky, as a means of implementing the strategic goals of the British Empire.

- **Parvus, Jabotinsky, and London's Young Turks**

- How the British/Venetian-spawned Young Turk movement instigated London's Balkan Wars and the overthrow of the Ottoman Empire—without which, the entire Anglo-French Sykes-Picot colonial scheme would not have been possible.

## World News

- **Failed Bailout Ploy Heading into Desperate New Phase**

- The bailout process is akin to the actions of a junkie, who knows in the deep recesses of his mind that he must quit, but hasn't the courage to do so. 'One more fix,' he says. We are now at the point where the money junkies are unable to control themselves. It is time to intervene, and put their system through bankruptcy. Before it kills us, as well as them.

- **Banks and Real Economy in Free Fall:**

- Will Obama Become the New Roosevelt?**

- by Helga Zepp-LaRouche**

- **India Nuclear Program at a Crossroads**

- Will India seriously take up the challenge of developing its vast thorium resources for production of nuclear power, to implement the three-stage plan envisaged by the late Prime Minister Jawaharlal Nehru and nuclear scientist Dr. Homi Bhabha?

- **Fusion Energy:**

- 'Yes We Can'**

- Nuclear scientist **Dr. John Nuckolls** makes a powerful proposal to be funded by Obama's stimulus package.

## Editorial

- **America vs. Britain: Republic vs. Empire**

## U.S. Economic/Financial News

- States Pile up Billions More in Deficits**

## U.S. Maglev Projects to Get Funds for 2009

## Reality Strikes: Pickens' Windmill Hoax Is 'Deader than Hell'

## New Record Set for U.S. Home Foreclosure Filings

## A Literal Dark Age: Electric Utility Shutoffs

### **States Pile up Billions More in Deficits**

Jan. 14 (EIRNS)—Texas announced a \$9 billion shortfall on Jan. 13, making it the latest state budget catastrophe among others. Daily, the estimated \$140-200 billion current and next budget year shortfalls across the nation get bigger. Also making headlines are Massachusetts, Michigan, Nevada, and Maryland for their \$1-2 billion-plus shortfalls, which have their newly convened legislatures and governors frantically looking for cuts to make.

\* **Texas:** Comptroller Susan Combs issued the latest revenue picture on Jan. 13, a \$9 billion deficit. It is comprised of a \$2.2 billion drop in the state general revenues over the two-year budget cycle, and a \$6.9 billion smaller cash balance than the state had two years ago, she said. For now, the legislature, opening today, hopes to cover the shortfall from its rainy-day fund.

\* **Massachusetts:** Gov. Duval Patrick, juggling a \$1 billion-plus deficit, may cut \$500 million in aid to towns and cities along with "drastic" cuts to jobs and services. If mid-year cuts to local aid are needed, localities would begin to slash services and lay off teachers and police.

\* **Michigan:** A two-year \$2.5 billion-plus deficit was announced on Jan. 9 by the state's revenue forecast committee—\$917 million of which is in this year's budget. The state already made \$134 million in cuts in December closing a prison and two other facilities. The state's Senate Fiscal Agency reports that any Federal stimulus money, if it comes, would not be enough to plug the \$1.63 billion hole in budget year 2010.

\* **Nevada:** There is a \$2.4 billion two-year shortfall, the state's budget director said. Many expect Gov. Jim Gibbons' speech to the legislature on Jan. 15 to call for a 6% cut in teachers' and state employees' salaries.

\* **Maryland:** Gov. Martin O'Malley, who has already cut \$300 million, including ordering five unpaid furlough days for 67,000 state employees, may have to cut another \$400 million in *this year's* budget as the current deficit is now at \$1.9 billion. Some expect his new budget proposal to include cutting aid to counties, at the same time that the state would shift \$600 million in teacher pension costs to those counties! Other possibilities are: raise college tuition, cut aid to community colleges, local police, and health departments.

### **U.S. Maglev Projects to Get Funds for 2009**

Jan. 14 (EIRNS)—Maglev rail projects for the U.S. will receive some Federal funding this year, by an act of the 110th Congress. In addition, many maglev advocates are increasing their lobbying efforts to put serious maglev development into the surface transportation bill to be debated early in the 111th Congress.

Four of the eight proposed maglev routes will get some of a \$90 million Federal allocation. The funds should be distributed by mid-year. In the context of the debate on how to get a economic recovery started, *USA Today's* business traveler

columnist called for the U.S. to build maglevs, in his Jan. 13, column, among other high-speed rail initiatives.

The already authorized \$90 million, while not much, is expected to have a "major impact on economic development and construction industry markets," the U.S. Maglev Coalition asserts. The Federal monies will be an 80/20 match, thus involving state public and private funds for further "preconstruction activities and capital costs of fixed guideway infrastructure of maglev projects," as mandated by Congress. The funds will be split among four approved projects: Las Vegas to Primm, Nevada, which gets half the money (\$45 million); Baltimore to Washington, D.C.; Pittsburgh to its airport; and Atlanta to Chattanooga. One industry source expects the Federal Railroad Administration to split the remaining \$45 million among the three other projects, although it could go to just one of them.

## **Reality Strikes: Pickens' Windmill Hoax Is 'Deader than Hell'**

Jan. 13 (EIRNS)—The reality of the world financial and economic breakdown is now even dashing the delusions of windmill fanatic T. Boone Pickens. In an article in the Jan. 13 *Wall Street Journal*, Pickens put it this way: "The wind stuff is deader than hell right now."

Pickens put his huge Texas wind farm on hold in the Fall, as the bottom of the financial markets was falling out. By October, the value of Pickens' equity hedge fund, BP Capital, fell by around 60% from its peak. Then, in November, California voters soundly defeated his referendum to promote natural-gas vehicles in their state—a project which Pickens, the largest owner of natural-gas filling stations in the country, had heavily funded.

Without conning the Congress into massive subsidies, Pickens' windmill scheme is a wind-egg.

The *Journal* points out that the nation's first offshore wind farm, scheduled for Federal waters off Cape Cod, seems headed in the same direction. Massachusetts politicians, generally green as they come, like Senators Ted Kennedy and John Kerry, are adamantly opposed.

## **New Record Set for U.S. Home Foreclosure Filings**

Jan. 15 (EIRNS)—RealtyTrac reported Jan. 14 that home foreclosure filings (i.e., initiations of foreclosures) surpassed 3 million in 2008. This was an increase of 81% from 2007, and of 225% from 2006. Houses in some stage of foreclosure totalled 303,410 in December 2008, up 17% from November, and up nearly 41% from December 2007. Further, banks repossessed more than 850,000 properties in 2008, compared to about 440,000 in 2007. RealtyTrac senior vice president Rick Sharga said that these filings came despite foreclosure moratoriums, and they had not expected a near-record month. He concluded, "I believe January will be a record-setting month. We're in for a very difficult year."

## **A Literal Dark Age: Electric Utility Shutoffs**

Jan. 16 (EIRNS)—Early in his first 100 days, President Franklin Roosevelt signed the legislation creating the Tennessee Valley Authority (TVA), which brought electricity, for the first time, to more than 5 million people in seven states in the Southeast. Now, in this worldwide collapse, the clock is running backward. Last year, a greater number of people *lost* their electricity because they could not afford to keep it, than had *gained* access to electricity from the TVA, 75 years ago.

According to a survey by the National Association of Regulatory Utility Commissions (NARUC), for the Winter heating season that ended last May, 40 million electric and gas residential consumers held nearly \$8.7 billion in past-due accounts. This resulted in an unprecedented 8.7 million customers having their electricity or gas service terminated for non-payment. In depression-wracked Michigan, Consumers Energy shut off 7,215 electricity customers in May 2008, as compared to

1,407 a year before. Michigan Gas Utilities disconnected 880 customers, having disconnected none the previous year.

## Global Economic News

### Financial/Economic Tsunami Hitting South Africa

### Japan's Machine-Tool Industry in Free-Fall

### German Economy Faltering, Bankers Too

### No Growth in Chinese Rail Transport

### French Bank Oddo Sues UBS Luxembourg for Madoff Swindle

#### **Financial/Economic Tsunami Hitting South Africa**

Jan. 15 (EIRNS)—The explosion of worthless financial paper in the world economy, and the collapse of production it has caused, are hitting Africa, notably South Africa, like a tsunami.

Manufacturing is collapsing. The physical volume of South African manufacturing declined in November by 4.4% compared to November 2007, or 12% when seasonally adjusted and annualized. Manufacturing is a major sector of the economy. It produces about 20% of the Gross Domestic Product, and represents about 15% of the employed labor force. Manufacturing exports yield about 40% of foreign exchange earnings. The decline has been abrupt; physical volume had grown by 15% in the second quarter, relative to the second quarter of 2007.

The prices of exported raw materials are falling sharply. The price of platinum, a major South African export that rivals gold in gross earnings, dropped by 43.5% during 2008. The gold price has held because, in a financial crisis, it is considered safe. But South African gold output in 2008 dropped 14% year on year, the largest drop since 1901, during the Anglo-Boer War.

The prices of diamonds, also important in South Africa, have fallen 30% since October. In neighboring Botswana, diamonds account for about 35% of GDP and 70-80% of export earnings. The copper price collapsed 61% from \$8,000 per metric tonne to about \$3,100 over the second half of 2008. In Zambia, copper exports account for about half of foreign exchange earnings.

Unemployment is rising fast. An estimated 64,000 jobs were lost in South Africa in the second half of 2008 (more than 0.5% of employment), on top of an existing unemployment rate of about 35%. Because each employed person supports 8 to 10 people, the 64,000 layoffs directly affect more than a half million. But layoffs have only begun.

The cost of a standardized market basket of basic foodstuffs increased by 22% during 2008.

The ratio of household debt to disposable income was 75% in the third quarter. New car sales in 2008 were down 24% compared to 2007; new commercial vehicle sales were down about 20%. New mortgages slumped by more than 50% from 2007.

## **Japan's Machine-Tool Industry in Free-Fall**

Jan. 15 (EIRNS)—The Japanese machine-tool sector, the largest in the world, which has been the driver of Japanese economic power in the post-war era, is in collapse. Japan produces about one-fifth of the world's machine tools, and is the second-largest consumer, after China. Japan's machine-tool orders fell by 71% in December over the previous year, according to the Japan Machine-Tool Builders Association. This was the largest drop in over 20 years, despite the stagnation of the economy in the 1990s.

Japan's machinery sector, the primary indicator of industrial capital investment in the short term, had a 16% decline in orders, double the rate that had been projected. This was the largest decline since the statistics have been monitored, in 1987.

## **German Economy Faltering, Bankers Too**

Jan. 15 (EIRNS)—A press conference held in Frankfurt on Jan. 14 by Norbert Raeth, of the Federal Statistics Office of Germany, drew attention internationally and got prominent coverage as far away as in China: Raeth said that the German economy shrank by 1.5-2% in Q4 2008, from Q3, in its worst contraction since German reunification in October 1990.

One of the central aspects of this decline is the development of the machine-building sector, which reported a net drop in new orders of 30% for November, as compared to November 2007. The drop is even 50% and above, in textiles, construction, and printing machines.

This situation, and the dismal report from Deutsche Bank yesterday, sent the Frankfurt stock market into a nosedive, just as Chancellor Angela Merkel was presenting her Stimulus II program to the national parliament.

## **No Growth in Chinese Rail Transport**

Jan. 13 (EIRNS)—China's Ministry of Railways yesterday warned that rail-cargo volume will stagnate in 2009. China's rail systems is among the world's three biggest, carrying 25% of all rail traffic. The Ministry said that it will try to increase passenger traffic to compensate for the non-growth of freight traffic, and is trying to promote cargo traffic in the Northeast, Northwest, and Southwest regions, as the previous "boom" areas of the South and Southeast coastal regions are being hit by the economic crisis. In 2008, Chinese trains carried 3.3 billion tons of cargo, and 1.46 billion passengers in 2008.

## **French Bank Oddo Sues UBS Luxembourg for Madoff Swindle**

Jan. 14 (EIR)—The French daily *Libération* reports on the growing anger among French investors on how they got swindled, via UBS and HSBC, in the Bernard Madoff swindle. As reported on Jan. 14, investors "got trapped by buying shares of the LuxAlpha (an open-ended fund called Sicav in Europe), managed by UBS Luxembourg, without knowing necessarily that their capital was reinvested in the Madoff Ponzi scheme."

The paper underlines that "feeder funds" deployed by Madoff to feed his pyramid, such as LuxAlpha, were "registered in financial places that respect confidentiality: the Cayman Islands, Bermuda, the Bahamas ... but which didn't offer all the protective guarantees" one expects from UBS or HSBC.

Therefore, says *Libération*, the number of legal complaints will grow against UBS Luxembourg which "lost" Eur1.4 billion in the Madoff scheme. Yesterday, the top French private bank Oddo announced it is starting a lawsuit to try to recover Eur30 million.

# United States News Digest

**Aged, Blind, and Disabled Californians on Chopping Block**

**Holder: Waterboarding Is Torture; We Will Close Guantanamo**

**Congressman: Destroy Afghan Opium Crops**

**U.S.-Mexican Relations Are High on Obama's Agenda**

**Obama Suggests Radical Shift in U.S. Policy on Iran**

**Kerry: Gaza Could Be Opportunity for Peace**

## **Aged, Blind, and Disabled Californians on Chopping Block**

LOS ANGELES, Jan. 16 (EIRNS)—The day after California Gov. Arnold Schwarzenegger delivered his State of the State address on Jan. 15, State Controller John Chiang announced emergency plans to deal with the impending disappearance of cash reserves. In his address, Schwarzenegger reported that the state will run out of cash by Feb. 1. Under the plan released by Chiang, the state will withhold tax refunds for individuals and businesses which overpaid their state taxes; payments to vendors which provide products and services to state government; and checks to a million aged, blind, and disabled, aid which is needed to pay rent and utilities.

This is only the latest group of victims of the Schwarzenegger budget crisis. The delivery of health care has been cut dramatically, with the closing of hospitals and neighborhood clinics, and cuts in the state reimbursement of doctors who treat patients under MediCal, the state's version of the Federal Medicaid program. Over 200 state-funded infrastructure projects have been halted, and school districts have been forced to draft plans to lay off teachers and consolidate schools. Delivery of state services has been cut, through the governor's mandate that all state employees must take two unpaid days off per month, and, on top of that, the state workforce will be cut by 10%.

The announcement today, of the plan to withhold refunds and payments owed to businesses and the citizens of the state, by the Controller's office, confirms what the LaRouche Political Action Committee has asserted for years, that the real cause of the existential crisis facing California is a Schwarzenegger problem. The solution to this problem was articulated years ago by Lyndon LaRouche: Get that fascist bum Schwarzenegger out of office!

That action alone will not reverse the collapse of California. But, without it, there is no chance that the legislature will be able to act on behalf of the citizens of the state.

## **Holder: Waterboarding Is Torture; We Will Close Guantanamo**

Jan. 15 (EIRNS)—In sharp contrast to Bush-Cheney Administration officials, Attorney General nominee Eric Holder declared today that "waterboarding *is* torture." Holder cited the use of waterboarding by the Spanish Inquisition, and the fact that the United States had prosecuted it as a war crime, both in World War II and the Vietnam War. Neither of the two previous Attorneys General, Alberto Gonzales or Michael Mukasey, would even answer this question. Holder also

referenced discussions he has had with retired generals and admirals who told him that these so-called "enhanced interrogation techniques" do not produce good intelligence.

Holder also declared that the Guantanamo prison will be closed by the Obama Administration, while explaining that there are issues still to be resolved, such as what to do with detainees who cannot be released because they are avowed warriors against the United States. Holder was introduced by retiring U.S. Sen. John Warner (R) of Virginia, who identified himself as "among those all across this nation who are working for a bipartisan approach, to support the President-elect in facing what is, I think each of us believe, the most complicated and challenging set of issues that ever faced a President."

Among the priorities for the Obama Justice Department outlined by Holder, was to "wage an aggressive effort against financial fraud and market manipulation." Holder noted that, as taxpayers are being asked to rescue large sections of the economy, they have a right to demand "accountability for wrongdoing that only the Department of Justice can provide."

### **Congressman: Destroy Afghan Opium Crops**

Jan. 15 (EIRNS)—Rep. Mark Kirk (R-Ill.), recently back from military service in Afghanistan, is calling on President-elect Barack Obama to authorize the aerial herbicide spraying of opium crops in Afghanistan, to shut down the major source of funding of the Taliban. Kirk is a Naval Reserve officer and spent three weeks developing counter-narcotics plans in NATO's Southern Command. He watched military operations in Helmand province. Columnist Morton Kondracke reports in today's *Roll Call* that the battle that Kirk observed got little attention in the U.S. media, but Kirk told him that the result of it was that "for the first time in history, [NATO] is directly in control of a major drug producing area. So, a new policy is very much needed."

### **U.S.-Mexican Relations Are High on Obama's Agenda**

Jan. 12 (EIRNS)—President-elect Barack Obama met today in Washington with Mexican President Felipe Calderón, following the tradition that, prior to being sworn in, the American President-elect meets with the Mexican President to underscore the important relationship between the two nations. Ronald Reagan established this tradition in 1980, when he met with Mexican President José López Portillo. From all accounts, the meeting between Obama and Calderón was very cordial and positive in tone. Obama said he was prepared "from day one" to build on the existing bilateral relationship to make it stronger, while Calderón stressed the need for a "strategic alliance" to deal with "common threats." Chief among the latter is the horrific drug violence in Mexico, and the large, unfettered weapons contraband from the United States which feeds it.

Following the 90-minute luncheon and private meeting that took place at the Mexican Cultural Institute, Obama's spokesman Robert Gibbs reported that the President-elect vowed to work closely with Calderón to stop the illegal flow of arms from the U.S. into Mexico. Adding some weight to this, today, Sen. Jeff Bingaman (D-N.M.) and Sen. Kay Bailey Hutchison (R-Tex.), introduced legislation calling for \$30 million to be allocated over the next two years to combat weapons trafficking to Mexico.

Calderón welcomed such action. But he is not enthusiastic about Obama's stated intention to amend NAFTA, which, he says, has been "good" for Mexico, despite the fact that it is, in fact, what has *facilitated* the weapons contraband that Calderón says must be stopped!

### **Obama Suggests Radical Shift in U.S. Policy on Iran**

Jan. 11 (EIRNS)—In the midst of the unmistakable propaganda buildup of the Iranian "threat" in the U.S. media, President-



elect Barack Obama sounded a note of sanity in his discussion with George Stephanopoulos on ABC's "This Week Today." Asked about the recent assessment of former defense secretary William Perry, that his administration would face a crisis with Iran early on, Obama said he thought it would be a challenge, because of Iran's relationship with terrorist groups and its nuclear aspirations which could start a nuclear arms race in the region. Here is an excerpt:

**Obama:** We are going to have to take a new approach. And I've outlined my belief that engagement is the place to start. That the international community is going to be taking cues from us in how we want to approach Iran. And I think that sending a signal that we respect the aspirations of the Iranian people, but that we also have certain expectations in terms of how a international actor behaves, is....

**Stephanopoulos:** But a new emphasis on respect?

**Obama:** Well, I think a new emphasis on respect and a new emphasis on being willing to talk, but also a clarity about what our bottom lines are. And we are in preparations for that. We anticipate that we're going to have to move swiftly in that area.

### **Kerry: Gaza Could Be Opportunity for Peace**

Jan. 14 (EIRNS)—"I think it is possible that Gaza could be turned into an opportunity for the Obama Administration and for Secretary Clinton," said Sen. John Kerry (D-Mass.), the new chairman of the Senate Foreign Relations Committee, "because it may be the opening that we need to begin to put a peace process back on, and to really begin, with new players, to articulate what the expectations are of both sides."

In an interview on MSNBC, Kerry stated, "We have to be a true broker that is viewed by both sides as being a fair broker in this process. The Obama Administration will begin that process with a clean slate on Tuesday of next week, and if they use that correctly, I believe we can make progress in the Middle East."

In response to questions about talking with Hamas, Kerry said there is already a channel of communication with Hamas, through Egypt and also through King Abdullah of Jordan. "I believe that getting a ceasefire as soon as possible, with durable, clear, understandable expectations on both parties' sides, is the beginning of a new process."

## **Ibero-American News Digest**

**Mexican Congressman: LaRouche Forecast the Bubble Would Burst**

**Paramilitary Group Emerges in Mexican Border City**

**LaRouche Proposal for High-Tech War on Drugs Welcomed in Mexico**

**Vulture Funds Salivate Over More Loot from Argentina**

### **Mexican Congressman: LaRouche Forecast the Bubble Would Burst**

Jan. 14 (EIRNS)—Mexican Congressman Roberto Badillo pointed to Lyndon LaRouche as the "great American politician and thinker" who had forecast years ago that the financial bubble would burst, in an article in the current issue of *Siempre!*

magazine, a publication that is widely read by Mexico's political leaders. In the article headlined "Mexico Facing the Crisis of 2008," Gen. (ret.) Roberto Badillo, now a Congressman from the PRI party, attacks neoliberalism and IMF policies for the crisis, saying that the system of "market deregulation" and "usurious lending in emerging countries" has collapsed. He then states:

"The above created a bubble which the great American politician and thinker Lyndon LaRouche described a number of years ago...." Badillo then quotes from LaRouche's Jan. 19, 2001 *EIR* article on "The Demise of an Importer of Last Resort":

"What is collapsing today, is not an economy, but a vast financial bubble, a bubble whose chief economic expression is the U.S. financial system's role as 'The Importer of Last Resort' for the world at large.... In effect, the world has been supporting, until about now, a vast U.S. dollar-denominated financial bubble, all largely for the purpose of propping up an inflated, intrinsically bankrupt U.S. economy's role as 'importer of last resort' for much of the world. What happens, when that financial bubble moves into its inevitable chain-reaction-collapse phase? That is what is happening now."

Badillo lists 16 measures that need to be taken, including shutting down tax havens, increasing transparency of financial transfers, regulating the activities of the rating agencies, and developed sector aid to Third World countries (in a combination of dollars, euros, yen, and yuan). His only reference to a general bankruptcy reorganization of the system and a New Bretton Woods system, as LaRouche has called for, comes at the end, where he says that the Mexican Congress should "agree on a series of measures to present solutions to the world economic crisis," and notes, without further specifying, that "only the Italian Senate has presented a similar proposal."

## **Paramilitary Group Emerges in Mexican Border City**

Jan. 16 (EIRNS)—A paramilitary group claiming to be dedicated to killing drug traffickers announced its public emergence on Jan. 15, through a e-mails sent out in Ciudad Juárez, in the Mexican border state of Chihuahua, directly across from El Paso, Texas.

Ciudad Juárez is one of the cities most terrorized by the drug cartels, which regularly leave the decapitated corpses of their victims in the public plazas. A press release circulated by the so-called Citizen Commando for Juárez (CCJ) claims to represent "citizens tired of the impunity that for years has existed in this city," and vows it will now "attempt to do away with the criminals who have provoked terror against the residents of this border [region]."

This paramilitary activity follows the model of what occurred in Colombia some years ago, and is guaranteed to unleash further violence and destabilization. With the slogan "Fatherland and justice, one nation for all," the group vows to kill a criminal every 24 hours, warning that it is "better to kill a bad person, than allow that bad person to continue to contaminate our region." The group requests financial contributions from businessmen affected by the violence, and provides an e-mail address should anyone wish to identify criminals who should be killed.

Nor is the CCJ the only group of this type. In March 2008, the Citizen Front Against Corruption and Violence went public in Chihuahua, and shortly afterward, dead bodies of drug peddlers started to appear. This group targetted the state's attorney general, as well as municipal political leaders, charging that they were on the take from drug lords responsible for the violence and destabilization in Chihuahua.

In early January, according to journalist Raymundo Riva Palacio, a communiqué began circulating electronically from an "Armed Movement of the North," based in Sonora, which declared war on the Mexican government and political system. So far this group exists only on paper, but it promises to sabotage Mexico's political system.

## **LaRouche Proposal for High-Tech War on Drugs Welcomed in Mexico**

Jan. 16 (EIRNS)—A LaRouche PAC press release, "LaRouche Calls for High-Tech War on Drugs, Centered on Economic Development," was published today in the leading Sonora-based daily *Diario del Yaqui*, just a day after it began circulating in the region.

The article was prominently placed, and included a photo Lyndon LaRouche. The release was also read on the afternoon radio news programs, which stressed LaRouche's point that the building of infrastructure projects such as the Northwest Hydraulic Project (PLHINO), is an integral part of the war on drugs.

LaRouche associate Alberto Vizcarra reports that the publication of the release was a "refreshing and hopeful intervention" for a population beaten down by the narcoterrorism that threatens to bring down the republic's institutions.

## **Vulture Funds Salivate Over More Loot from Argentina**

Jan. 13 (EIRNS)—New York Federal Judge Thomas Griesa ruled on Jan. 9 that Argentina must repay up to \$2.2 billion to vulture funds, which hold about \$16 billion in bonds on which Argentina defaulted in 2001.

These professional speculators, who routinely buy up the depreciated debt paper of countries expected to default, in anticipation of getting paid the full value of those bonds later on, didn't participate in the 2005 restructuring of Argentina's defaulted debt. Instead, they've gone to the courts to get repaid, with some success.

"The noose is tightening," said a gleeful lawyer for eight bondholders in a class-action lawsuit. "We're getting stronger and they're getting weaker." Judge Griesa's ruling will allow the bondholders to attempt to seize Argentine government property, including some funds that were frozen under a court order, according to Bloomberg.

## **Western European News Digest**

**BüSo Hesse TV Ad: 'We Need a Pecora Commission!'**

**Hankel Endorses New Pecora Commission Call**

**IMF Warns of 'Wildcat Fire' for Eastern Europe and Austria**

**Russia Okays Italian ENI To Lead Consortium**

**German Economic Woes, Steinbrück Quotes Marx**

## **BüSo Hesse TV Ad: 'We Need a Pecora Commission!'**

Jan. 16 (EIRNS)—Germany's Civil Rights Solidarity Movement (BüSo), the political movement chaired by Helga Zepp-LaRouche, had its final election spots on Hessian state radio and TV today. The TV spot, which features lead candidate Alexander Hartmann, calls for a Pecora Commission to investigate how bankers precipitated the financial collapse, as demanded by Zepp-LaRouche. It asks why Deutsche Bank chairman Josef Ackermann already in 2003 had demanded the

government creation of a "bad bank," to accept the toxic waste of other banks. It also asks for an investigation into which persons have been responsible for those legal changes, that opened Germany to the asset-backed securities (ABS) and derivatives game. Moreover, the question is posed, whether the public banks were used as deposits for bad debts. "It cannot be expected, that the established parties wish such an investigation at all, but only in this way, the preconditions can be created to rebuild the real economy! Therefore, vote BüSo on Jan. 18 in the Hessian State Parliament!"

## **Hankel Endorses New Pecora Commission Call**

Jan. 16 (EIRNS)— In an exclusive interview with Helga Zepp-LaRouche for the coming issue of the *Neue Solidaritaet* weekly and *EIR*, Prof. Wilhelm Hankel, a signer of the first LaRouche call for a New Bretton Woods nine years ago, endorses the call for a new Pecora Commission, insisting that under no circumstances should any persons who have been responsible for the financial-monetary mess, be seated on that commission.

Hankel denounces the idea of a "bad bank" as a bailout of the criminals, proposing instead that the speculators themselves clean up the mess by taking their foul paper off the banks' books, putting it into a special fund handled by the private banking sector, and depreciating it over 20 years. Only that approach would protect the real economy from the fictitious debt. Hankel adds that arrests of certain criminal bankers or investors, or at least legal cases to extract compensation payments for the damage caused by those criminals, should not be ruled out.

Hankel urges that real economic investments, which have been blocked in the past era of neo-liberalist monetarism, be resumed as a priority policy in the education and transport sectors, especially for trans-European transport projects, and there, he endorses the LaRouche proposal for upgrading the Siberian transport grid, which is crucial for the development of the Eurasian continent.

Hankel is a former chief economist of the German Reconstruction Finance Corp. (Kreditanstalt fuer Wiederaufbau), as well as a former head of the capital and loans department of the German Finance Ministry.

## **IMF Warns of 'Wildcat Fire' for Eastern Europe and Austria**

Jan. 16 (EIRNS)—The International Monetary Fund, in an as-yet-unpublished report issued in Washington, warns of a "prairie fire," if Austrian banks have to withdraw from Eastern and South Eastern Europe, because of their own difficulties and those of the countries concerned. This would have "disastrous effects for the region and for Austria," the IMF says.

Austrian banking engagement in these countries is enormous: Almost one-quarter of all of its outstanding credits are located in Eastern and Southeastern Europe (then follow Germany and Italy). Austrian state intervention is already expected to make sure that banks do not withdraw money due to their own problems, once the situation in these countries (also Russia) becomes worse.

In Russia, Romania, Ukraine, and Poland currency values are falling, meaning higher rates of local defaults. High write-offs in these regions will become necessary, among others for Raiffeisen International, Erste Bank, and Bank Austria, whose stock values have already fallen sharply.

For the countries themselves, this all means a huge problem, since a national banking system de facto does not exist anymore after the privatization and deregulation orgies after 1990, which were forced through by the very IMF which is now warning about consequences which derive from its own policies.

## **Russia Okays Italian ENI To Lead Consortium**

Jan. 17 (EIRNS)—The Russian government has entrusted the Italian energy company ENI to lead a consortium which will provide "technical gas" in a transition period, until Moscow and Kiev have reached an agreement over natural gas. The consortium, which will include E.on, Gaz de France, and others, shall provide up to 1.5 billion cubic meters to transit daily through the Ukrainian pipelines in order to keep them working. This proposal was announced at the meeting between German Chancellor Angela Merkel and Prime Minister Vladimir Putin in Berlin yesterday.

ENI's CEO Paolo Scaroni said that ENI was chosen, "not only because ENI is the largest gas operator in Europe and the main user of the Ukrainian pipelines, but also because it has been, for 50 years, the oldest partner of Gazprom." Scaroni is referring to the pioneering work in East-West cooperation led by ENI founder and Italian patriot Enrico Mattei in the 1950s and early '60s, still today a model for relations among nations.

## **German Economic Woes, Steinbrück Quotes Marx**

Jan. 12 (EIRNS)—In a TV interview today, German Finance Minister Peer Steinbrück was asked why Germany was so "stingy" when it came to capital investments in industry. He replied that German investments are capital-intensive, so if we boost them, we will achieve the opposite of what we want to achieve, namely unemployment. This is the precise argument of Karl Marx: that capital-intensive, high-technology investments replace human labor with machines, creating unemployment, and that bourgeois factory owners thereby take money out of the hands of the proletariat.

## **Russia and the CIS News Digest**

### **Blame Cheney and Soros for Ukraine's Gas Shut-Off**

### **Prominent Russians Optimistic on U.S. Relations**

### **Medvedev Televises Statement on U.S. Relations**

### **Russian Paper Reflects on Bad Economic Choices**

### **Russian Investment Fund Spending Slashed**

### **SCO To Meet on Afghan Drugs and Terrorism**

## **Blame Cheney and Soros for Ukraine's Gas Shut-Off**

Jan. 14 (EIRNS)—Throughout the week of Jan. 12, Russian Gazprom's exports to Europe failed to flow beyond Ukraine, the result of a provocation against Russia engineered by Dick Cheney, and advocated by George Soros, in the British press, as early as 2006. Today, Alexander Medvedev, the number two official at Gazprom, revealed the existence of a U.S.-Ukraine Charter on Strategic Partnership, signed Dec. 19, 2008. "We don't have all the details of it," he told the press, "... but we do know that part of this agreement referred to the transit ... through Ukraine to Europe, which is especially suspicious. Now we could make some guess why Ukraine has behaved in such an unreasonable way."

Section III of this agreement states that Ukraine and the U.S. "intend to work closely together on rehabilitating and modernizing the capacity of Ukraine's gas transit infrastructure." A recent RIA Novosti article referred to the agreement in

these terms: "The U.S. would modernize Ukraine's crumbling pipelines and could receive control of the network." Novosti reports the defensive response by Prime Minister Yulia Tymoshenko, that Ukraine will not relinquish control of the network to foreign control or privatization.

Cheney visited Ukraine in September, one month after Georgia's attack on South Ossetia. On Sept. 19, Ukrainian President Victor Yushchenko visited the U.S. and met with President Bush.

Back in April 26, 2006, Soros authored a call in the *Financial Times* of London for Europe to wage a gas war against Russia. Europe should use its role as the market that Russia depends on for gas export as leverage "to break up the Russian gas monopoly and inhibit the currently prevailing devious arrangements," he wrote. "Russia is in the driver's seat," but if Europe sticks together they could break Russia's monopoly and influence and "improve the balance of power."

## **Prominent Russians Optimistic on U.S. Relations**

Jan. 14 (EIRNS)—The officially sponsored TV station *Russia Today* has quoted U.S. Secretary of State-designate Hillary Clinton's Jan. 13 Senate testimony, highlighting her call for "cooperative engagement with the Russian government on matters of strategic importance." The coverage came in a pattern of statements by Russian foreign affairs advisors, officials, and legislators about their hopes for an improvement of U.S.-Russian relations. Foreign Minister Sergei Lavrov's October 2008 article, which said, "Everybody needs the U.S.A. of Roosevelt and Kennedy," was the subject of an Oct. 15 commentary by Lyndon LaRouche, as being "of crucial importance for every U.S. patriot seeking a present way out of the general breakdown crisis."

Lavrov elaborated, in his article for the Russian *Diplomatic Yearbook*, released Dec. 15 by the Foreign Ministry: "In the era of globalization, the vocation of a strong state is ... being a constructive generator of positive change, as was the case with the New Deal in the United States and the reforms of Alexander II in the Russian Empire." Russia is ready for "full-format cooperation with the United States."

About Clinton's testimony, Novosti quoted Victor Kremenjuk, deputy director of the Russian Academy of Sciences U.S.A.-Canada Institute: "Clinton's address shows U.S. willingness to establish good, constructive relations with Russia." He pointed up the need for cooperation on the global economic crisis, saying, "The Americans realize that they will not be able to resolve financial issues without Russia."

Novosti also quoted Andrei Kortunov of the New Eurasia Foundation in Moscow, who said, "We can approach the future development of relations with the U.S with cautious optimism." A meeting between Presidents Dmitri Medvedev and Barack Obama is anticipated to take place very soon after Obama's inauguration, although the date is not yet set. Mikhail Margelov, chairman of the Foreign Affairs Committee of Russia's Federation Council, has said he intends to be in Washington in February for meetings with his new counterpart, Sen. John Kerry (D-Mass.), the chairman of the Senate Foreign Relations Committee.

## **Medvedev Televises Statement on U.S. Relations**

Jan. 15 (EIRNS)—Russian President Dmitri Medvedev met today with the permanent members of Russia's Security Council for a policy discussion, of which the only announced agenda item was relations with the United States. Medvedev also talked with Sergei Kislyak, Russia's Ambassador to the United States. The Russian President's remarks on Russia's hopes for progress under the Obama Administration were nationally televised. Medvedev said that Moscow has seen in Obama's words and his appointments "the intent to develop our relations." From Russia's standpoint, he added, there are three priority areas "in which we are simply obligated to cooperate": the world financial crisis; the fight against terrorism, crime, and narcotics; and arms proliferation.

## Russian Paper Reflects on Bad Economic Choices

Jan. 14 (EIRNS)—Just as Lyndon LaRouche's strategic document "How Russia Was Surprised" (*EIR*, Jan. 9) pointed out the ongoing tragedy caused by the refusal of the Russian leadership to confront the fallacy in their dependence on the revenue from raw material exports, the Russian daily *Nezavisimaya Gazeta* on Jan. 12 carried a feature on the "economic disintegration" faced by Prime Minister Vladimir Putin and President Dmitri Medvedev. In the article, "Authorities' Ill-Considered Actions Lead to Economic Disintegration of Russia," *Nezavisimaya* presented the picture: "Moscow's economic policy has largely been based on the redistribution of income from exports of Siberia's natural resources.... Apart from the resource-extracting regions, those who ultimately received the biggest dividends from this were in Central Russia, and first and foremost Moscow and the Moscow region.... Now, because of the fall in world prices for the country's main export commodities, this pattern has failed."

"During the years of economic prosperity," it continued, "Moscow did not bother to establish motor vehicle manufacturing, or the mass production of high-tech products in general in Siberia and the Far East, through granting some kind of concessions to potential investors." The article linked the lack of Far East development with the large-scale protests there in December. When Putin's government, faced with the almost overnight shutdown of Russia's auto assembly plants in southern and central Russia, slapped new tariffs on foreign automobile imports, mass protests broke out in Primorsky Territory on the Pacific, and its capital, Vladivostok, where an estimated 100-200,000 people are employed in importing, reconfiguring, and servicing Japanese used cars. With some of the demonstrators carrying placards calling for Putin's resignation and even the secession of the Far East from the Russian Federation, the Ministry of Internal Affairs flew OMON units (SWAT teams) from Moscow and Dagestan to break up the demos on Dec. 21.

## Russian Investment Fund Spending Slashed

Jan. 14 (EIRNS)—On Jan. 12, the Russian government announced a nearly 50% cut in spending by the national Investment Fund in 2009 (from 113 billion rubles or \$3.6 billion, to 64 billion or \$2 billion; with 15 projects instead of 21). As warned during government discussions in November, only those projects which were already started will go forward. Deputy Prime Minister Dmitri Kozak tried to find a bright side to the budget cuts, saying that the 15 surviving projects would create 20,000 jobs around Moscow, in the Far East, and elsewhere. But Russia lost hundreds of thousands of jobs in December alone.

Moscow has already sunk 9.9 trillion rubles (\$317 billion) into "fighting" the financial crisis, with 7 trillion (\$224.3 billion) going to the banking sector; 1 trillion rubles (\$32 billion) to the real sector; and 300 billion (\$9.6 billion) to the financial markets. Another 1.35 trillion rubles (\$43.3 billion) has been promised to help corporations and banks refinance their foreign debts. However, infrastructure projects have not gotten anything extra.

## SCO To Meet on Afghan Drugs and Terrorism

Jan. 12 (EIRNS)—The Shanghai Cooperation Organization (SCO) has called a special international conference on terrorism, drug trafficking, and organized crime in Afghanistan, to be held in March at the level of deputy foreign ministers of the member nations, Kazakstan's Foreign Ministry announced today. There will be a planning meeting to prepare the conference, in Moscow Jan. 14.

The SCO nations—Russia, China, Kazakstan, Kyrgyzstan, Tajikistan, and Uzbekistan, with Iran, India, Mongolia and Pakistan as observers—are all hard hit by the massive opium flow from Afghanistan, as well as by the unending war. Since 2004, the SCO nations have proposed setting up an "anti-drug security zone" around Afghanistan, as the only way to bring drug production under control, but this has not been carried out. The nations surrounding Afghanistan—Tajikistan,

Uzbekistan, and Turkmenistan, as well as Pakistan and Iran (Afghanistan also has a short border with China)—are themselves impoverished and unable to control the drug flows. The last time the security belt was proposed, was at the NATO summit in Bucharest in April 2008.

Today, Voice of Russia reported that Tajikistan's counter-narcotics officials had to acknowledge that the entire amount of Afghan drugs they were able to confiscate in 2008—six tons—was just a "tiny drop in a mighty stream." Of the six tons, 1,600 kilos was high-grade heroin.

## Southwest Asia News Digest

**LaRouche: Israel Invasion of Gaza Is Its Greatest Strategic Blunder**

**Cheney's Gift to Obama: Joint U.S./Israel Declaration of Hostilities Against Iran**

**Jewish MP in Britain Compares Israeli Actions to Nazis'**

**Pentagon in the Dark About Israeli Visitor**

**'Roman Troika' To Rule Israel?**

### **LaRouche: Israel Invasion of Gaza Is Its Greatest Strategic Blunder**

Jan. 15 (EIRNS)—Israel's invasion of Gaza, with its 19 days of continuous, brutal killing of civilians, children, humanitarian workers, and observers, has trapped Israel into a strategic blunder that could turn into an existential threat to Israel itself, warned Lyndon LaRouche, as the death toll reached about 1,028 Gazans, with over 4,800 wounded.

"This operation should be blamed on Dick Cheney—he is nothing but a British asset," said LaRouche. "The Israeli invasion of Gaza will turn out to be the biggest strategic blunder ever committed by Israel. This may prove to be an existential blunder."

This morning, the Israeli Defense Forces (IDF) bombed the headquarters of the United Nations Works and Relief Agency (UNWRA) in Gaza City, which is the main, and often the only source of food for more than 1 million Gaza residents. The IDF used phosphorus bombs, causing fires that cannot be put out with water, which only produces toxic fumes. According to John Ging, the director of UNWRA in Gaza, who was interviewed on CNN, the UN team was in constant contact with the Israeli military the night before, as Israeli bombs got closer and closer. There is no way in the world that this bombing was an accident. More than 700 Palestinian civilians were taking refuge there, and the phosphorous fires incinerated "thousands of tons of food" and disabled all the transport vehicles that were delivering food and medical supplies to Gazans.

The Vatican has dared to equate Gaza with a concentration camp. On Jan. 7, Renato Cardinal Martino, director of the Pontifical Council on Justice and Peace, told the Italian daily newspaper *Il Sussidiario*, "Conditions in Gaza increasingly resemble a big concentration camp." After receiving much criticism from Israel for these remarks the Cardinal told the Italian newspaper *La Repubblica*, "They can say what they want, but the situation in Gaza is horrible."

Two days after Martino's statement, Pope Benedict XVI took up the Gaza tragedy in his Jan. 9, "State of the World"



address to the Vatican diplomatic corps. He called for a ceasefire in the Gaza war, where there is "enormous suffering of the civilian population."

## **Cheney's Gift to Obama: Joint U.S./Israel Declaration of Hostilities Against Iran**

Jan. 16 (EIRNS)—Having failed to achieve his desired war against Iran, British asset Dick Cheney's parting gift to incoming President Barack Obama is a U.S./Israeli agreement promising that the United States will hunt down and intercept Iranian shipments of weapons to Hamas and other groups in Gaza, and will organize the international community—including NATO—to do the same. The model for this effort is British asset and former U.S. ambassador to the UN John Bolton's "Proliferation Security Initiative" of 2003, which organized some ten nations to agree to intercept naval vessels on the high seas to search for "weapons of mass destruction." A similar scheme against Iran was pushed by the Cheneyacs earlier this year, as a "naval blockade" against Iran to prevent the delivery of refined petroleum products. However, the insane naval blockade idea was rejected by wiser U.S. military leaders, including Chairman of the Joint Chiefs of Staff Adm. Michael Mullen, and Defense Secretary Robert Gates. A blockade is considered an act of war.

From the outset of the attack on Gaza, Israeli government officials have identified the war against Hamas as a surrogate war against Iran.

Now, a formal Memorandum of Understanding (MOU) has been prepared, which is a prescription for world war. On Jan. 16, Israeli Foreign Minister, and lead candidate for Prime Minister, Tsipi Livni, made an emergency trip to Washington to sign the MOU with the Bush Administration. It allegedly binds the United States to intercepting and stopping Iranian arms shipments to Gaza, particularly to Hamas. According to Secretary of State Condoleezza Rice and Livni, they are also seeking to get Britain, France, and Germany to join in this effort to track down Iranian arms shipments to Gaza.

## **Jewish MP in Britain Compares Israeli Actions to Nazis'**

Jan. 16 (EIRNS)—During the debate in the British Parliament today, Gerald Kaufman, a Jewish Labour Party Member of Parliament, compared the Israeli military action in Gaza to that of the Nazis: "My grandmother was ill in bed when the Nazis came to her home town of Staszow. A German soldier shot her dead in her bed. My grandmother did not die to provide cover for Israeli soldiers murdering Palestinian grandmothers in Gaza." Kaufman accused the Israeli government of "ruthlessly and cynically exploiting the continuing guilt from Gentiles over the slaughter of Jews in the Holocaust as justification for their murder of Palestinians."

Kaufman called for an arms embargo on Israel and said Israel needed to seek real peace and not peace by conquest, which would be impossible.

## **Pentagon in the Dark About Israeli Visitor**

Jan. 13 (EIRNS)—Pinchas Buchris, the director general of the Israeli Defense Ministry, made what the *Jerusalem Post* described as a "lightning trip" to Washington to discuss with Pentagon officials the military operation in Gaza, including the use of particular weapons that the U.S. Defense Department is interested in, the Iranian nuclear threat, and other issues.

"Israel is hoping to secure commitments from the U.S. military on continued technological cooperation regarding systems that Israel and the U.S. both use and could be applied in the event of a military strike against Iran," said the *Post*. Yet, the Pentagon was unable to answer a press query from *EIR* seeking more information about Buchris's meetings. Press Secretary Geoff Morrell said, "That's the first I've heard of it." The relevant Pentagon press officer later told *EIR* that he had been unable to reach anybody in a position to know about any such meetings.

## 'Roman Troika' To Rule Israel?

Jan. 13 (EIRNS)—Commentator Amir Oren forecasts in *Ha'aretz* that the next Israeli government will be a "Roman Troika" that would include Ehud Barak of the Labor Party, Tzipi Livni of Kadima, and Benjamin Netanyahu of the Likud. He writes that confrontation with Iran will be at the top of the agenda of this government.

"The next government will serve in the shadow of the great confrontation with Iran, which is approaching military nuclearization. It will have to decide whether to disobey Barack Obama if he firmly objects to deploying the Israeli Defense Forces, and especially American fighter planes, against Iran's nuclear facilities." He writes that this is the issue that is now determining the shape of the next government.

## Asia News Digest

### Petraeus Seeks To Open Supply Route to Afghanistan

### Zardari Weakened in Pakistan, Saudis Ready To Move In

### Thai Professor Charged with *Lèse Majesté*

### SCO To Meet on Afghan Drugs and Terrorism

### Chinese Urban-Rural Income Gap at Record Level

## Petraeus Seeks To Open Supply Route to Afghanistan

Jan. 15 (EIRNS)—With both the southern supply routes that carry the essentials to 70,000 U.S. and NATO troops from the Pakistani port city of Karachi through Pakistan into southern and eastern Afghanistan, under sustained attack from the insurgents, U.S. Centcom chief Gen. David Petraeus is traveling through Central Asia trying to develop a consensus among the Shanghai Cooperation Organization (SCO) nations in the region to allow lethal and non-lethal supplies to travel to Afghanistan. With another 30,000 U.S. troops to be interdicted into Afghanistan in 2009, in addition to the 31,000 stationed there already, and Pakistan steadily slipping into a chaotic state, the opening up of the northern supply route is crucial for the U.S. and NATO's undefined and seven-year-old war on terror in Afghanistan.

While Petraeus, accompanied by U.S. Ambassador to Kazakstan Richard Hoagland, was negotiating with Kazak President Nursultan Nazarbayev to allow the supply route to run through his country, Kyrgyz leaders made known their intent to close down the U.S. air base in Manas. One report indicated that Kyrgyz President Kurmanbek Bakiyev will sign the order in the presence of Russian Premier Vladimir Putin when the latter visits Kyrgyzstan later this month. It is also said that Moscow will provide \$2 billion in assistance to the Kazak authorities in return for closing down the American air base.

On Jan. 17, Petraeus will travel to Tajikistan to seek permission to bring lethal items into Afghanistan through that country. However, the key to expanding the route depends on Russia, says Christopher Langton, former British military attaché to Moscow and now an analyst with the International Institute for Strategic Studies (IISS) in London. Langton said to EurasiaNet on Jan. 14 that "the critical country may be Russia. We may be moving slowly ahead [toward rapprochement], but I wouldn't say that we are about to sign any major agreement anytime soon."

## Zardari Weakened in Pakistan, Saudis Ready To Move In

Jan. 15 (EIRNS)—The arrival of Saudi intelligence chief Prince Muqrin Bin Abdul Aziz in Pakistan on Jan. 13, to review the situation there following the Mumbai terrorist attacks of November 2008, signals the weakening of Pakistani President Asif Ali Zardari, an important cog in Washington's plan to develop a new Pakistan policy. Zardari, having failed to take on the core group that orchestrated the attacks—a faction of the Pakistani Inter-Services Intelligence (ISI), some retired senior Pakistani Army officers, British intelligence operatives inside Pakistan, jihadis, and drug traffickers—may face the same fate as ousted President Pervez Musharraf. Last August, two days after Prince Muqrin's visit, Musharraf decided to resign.

Prior to Prince Muqrin's arrival on Jan. 13, Zardari's adversary in the Pakistan People's Party (PPP), Prime Minister Yousuf Raza Gilani, had dismissed National Security Council chief Mahmoud Durrani. Durrani is close to both Zardari and Washington, and was once Pakistan's ambassador to the United States. Conveying the message of Saudi King Abdullah bin Abdul Aziz al-Saud, his brother Muqrin Bin Abdul Aziz said: "The Pakistani political leadership should show solidarity and resolve their internal differences through dialogue to bring the country out of prevailing crises."

What that means is that the Saudis think it's time to bring to the fore the Saudi asset in Pakistan, former Prime Minister Nawaz Sharif, Zardari's adversary, now that Zardari is weakened. Zardari came to power helped by Washington and London. The *Daily Times* of Lahore reported that Prime Minister Gilani, Nawaz Sharif, and Imran Khan were present during the reception for the Saudi Prince and other officials at the Saudi Embassy in Islamabad. Imran Khan is very close to London.

A rebellion started within the PPP following Prince Muqrin's visit. A section of the PPP that does not consider Zardari, husband of the assassinated PPP leader Benazir Bhutto, as the legitimate heir to the party, is demanding opening up the Bhutto assassination investigation to foreign investigators. Zardari has so far opposed this demand, with the tacit approval of Washington.

## Thai Professor Charged with *Lèse Majesté*

Jan. 12 (EIRNS)—Ji "Giles" Ungpakorn, the only Thai commentator who, like *EIR*, identified as fascist thugs, the mob that occupied the Government House and later the Bangkok Airport, has been charged with *lèse majesté* (a crime against the sovereign) in Bangkok. The mob, defended by the monarchy and the Army, has brought down the last three popularly elected governments.

The new government which brought these charges is run by the minority Democratic Party, representing a royalist military junta which first took power in its own name in 2006, but failed miserably to govern. They therefore chose, this time around, to use corrupt "laws" they had imposed during their military reign, to depose two elected governments, and finally to place their own puppet Democrats in power.

Ji Ungpakorn is the son of Puey Ungpakorn, a famous leader of the Free Thai movement during World War II, who went on to serve as governor of the Bank of Thailand and rector of Thammasat University. Ji is a professor at Chulalongkorn University. A leftist connected to the British International Socialists, Ungpakorn told the truth in print and in public about the monarchist/Army control of the mob run by media mogul Sondhi Limthongkul (founder of *Asia Times*), leaving out only the direct role of the British and other European royals in running the coup in Thailand through the Thai monarchy. Ungpakorn knew, and wrote, that he would likely be accused under the barbaric *lèse majesté* laws, insisting that political forces used these laws in the same manner a fascist government uses contrived "laws" to crush any form of dissent. He said in a statement that he is "prepared to fight any *lèse majesté* charges in order to defend academic freedom, the freedom of expression and democracy in Thailand."

## SCO To Meet on Afghan Drugs and Terrorism

Jan. 12 (EIRNS)—The Shanghai Cooperation Organization (SCO) has called a special international conference on terrorism, drug trafficking, and organized crime in Afghanistan, to be held in March at the level of deputy foreign ministers of the member nations, Kazakhstan's Foreign Ministry announced today. There will be a planning meeting to prepare the conference, in Moscow on Jan. 14.

The SCO nations—Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan, with Iran, India, Mongolia, and Pakistan as observers—are all hard hit by the massive opium flow from Afghanistan, as well as by the unending war there. Since 2004, the SCO nations have proposed setting up an "anti-drug security zone" around Afghanistan, but this has not been carried out. The nations surrounding Afghanistan—Tajikistan, Uzbekistan, and Turkmenistan, as well as Pakistan and Iran (Afghanistan also has a short border with China)—are themselves impoverished and unable to control the drug flows. The last time the security belt was proposed, was at the NATO international summit in Bucharest in April 2008.

## Chinese Urban-Rural Income Gap at Record Level

Jan. 13 (EIRNS)—The huge gap between urban and rural incomes in China, one of the nation's most serious economic and social problems, is at a record level. Figures released by the Office of the Central Rural Work Group at a Beijing forum on Jan. 11 show that the per-capita income gap between Chinese urban and rural residents had widened beyond 10,000 yuan as of end-2008, the *China Economic Observer* reported today. This is the first time that the figure has passed 10,000 yuan since 1949. In 2008, per-capita income of Chinese rural residents was just 4,700 yuan, as compared to over 15,000 yuan for urban residents. The problem is especially urgent, Rural Work Group head Chen Xiwen said, because so many migrant workers from the countryside have lost their jobs and the money they sent to rural families. Already some 30 million migrant workers have returned to their rural places of origin just since the beginning of December, Chen said, with about a third of them returning due to job loss, and not just for the Spring Festival.

Chen said that nearly 40% of rural residents' incomes are from wages rather than farm production, so the migrant workers' job losses will bite deeply into rural incomes. Chen called for transferring industry to central China to increase employment there.

## Africa News Digest

### South Africa To Set Up Africa's First Space Agency

### British Asset al-Turabi Threatens Sudan's Existence

### High Risk of Dissolution of Sudan

### African Leaders Confer on Economic Collapse

## South Africa To Set Up Africa's First Space Agency

Jan. 16 (EIRNS)—The government of South Africa early this year will establish Africa's first space agency. According to Dr. Peter Martinez, who is coordinating the national working group that is creating the agency, while South Africa has been involved in space technology for many years, this has been sporadic. Martinez told *The Times* of South Africa, that efforts would include disaster monitoring, Earth sensing, and technologies for economic growth. He said South Africa

hopes to eventually join other nations in space exploration.

The Russian space agency Roscosmos will be providing technical advice and training for South African specialists. In the works is creation of a Russia-South Africa Permanent Working Group on Space. Last November, South African officials visited Russia, met with various space research and industry representatives, and toured Russian space facilities. An agreement was signed to launch the South African-built satellite, SumbandilaSat, on March 25 on a Soyuz. This small satellite will do remote sensing, and was built by South African SunSpace & Information Systems. Later meetings in Durban extended the cooperation to include possible joint work in Earth remote sensing.

## **British Asset al-Turabi Threatens Sudan's Existence**

Jan. 16 (EIRNS)—Like most Islamic jihadis and radical intellectuals, Sudan's Hassan al-Turabi has long been an asset of the British intelligence. Now the British intelligence-tainted Amnesty International has come out expressing concern following Turabi's arrest by the Sudanese authorities.

Turabi was arrested after he demanded that Sudanese President Omar al-Bashir take responsibility for alleged war crimes in Darfur, and surrender to the International Criminal Court (ICC), to face war-crimes charges resulting from the Darfur war.

A spokesman at Sudan's London embassy said the arrest came as no surprise, as Turabi was known to have links with the Darfur rebel Justice and Equality Movement (JEM), which the spokesman described as a "terrorist organization." The JEM kicked off the Darfur conflict in 2003 with a coordinated attack on police and other governmental institutions in the Darfur region. JEM leader Khalil Ibrahim was a close collaborator of Turabi.

"This is quite normal; as you know, in many countries, including the United States, people can be arrested for investigation for up to 40-something days," Khalid al-Mubarak told the BBC's Focus on Africa program today.

Turabi made his demand on Jan. 12, two days before a 15-nation African Union/Arab League meeting was to discuss the danger posed to Sudan by the threatened ICC warrant for Bashir's arrest. Turabi claimed that the ICC was Sudan's only access to justice, and that without justice, the country could break up and become worse than Somalia. (This imperial scenario has been previously promulgated by the London financial cartel.) Turabi's arrest came two days later, before the Doha meeting.

On that day, Sudan's Vice President Salva Kiir, who is from the South, said that if the warrant is issued against Bashir, the 2005 peace deal which ended the 21-year North-South civil war, would likely be abandoned, and civil war would be re-ignited.

## **High Risk of Dissolution of Sudan**

Jan. 14 (EIRNS)—Andrew Natsios, former special envoy to Sudan, warned of the dissolution of Sudan, at a forum in Washington today on "Challenges to Sudan's Comprehensive Peace Agreement (CPA)," organized by the Center for Strategic and International Studies. Speaking with Natsios was Sir Derek Plumbly, chairman of the Sudan Assessment and Evaluation Committee (an independent Assessment and Evaluation Commission that was established in 2002 to monitor the implementation of the Peace Agreement and conduct a mid-term evaluation of the unity arrangements established under the Peace Agreement); Darfur expert Alex de Waal, program director for the Social Science Research Council; and Dr. Edward Thomas, author of a Royal Institute of International Affairs report, "Against the Gathering Storm: Securing Sudan's Comprehensive Peace Agreement." All of the participants agreed that the future of Sudan depends on supporting

the fragile CPA, which has kept the peace between North and South in Sudan since it was signed in 2005.

Natsios was the most outspoken about the risk of dissolution, saying that, if the CPA fails, the disintegration of Sudan will be rapid and bloody. He said international support to ensure the success of the CPA is more important than Darfur. De Waal discussed how the expected indictment of President Gen. Omar al-Bashir by the International Criminal Court (ICC) has become almost the exclusive focus of the Khartoum government, diverting attention from pressing issues still to be resolved between northern and southern Sudan.

When *EIR* raised the danger of a deliberate attempt to trap the new Obama Administration into an aggressive military posture against Sudan, including a no-fly zone over Darfur, the speakers reacted vociferously. Natsios responded, "For what purpose do you want to inflict pain through these types of military deployments?" He said that the deaths in Darfur are as low as 100 per month, as the result of a low-scale insurgency. "Are you going to force parties to sign a peace agreement by blockading the port? There are 13,000 aid workers feeding 2.5 million hunger people in Sudan. What will happen to them if there is a military attack?" De Waal also responded by asking, "Pressure for what? ... Any coercive measures must be subservient to supporting the CPA."

## **African Leaders Confer on Economic Collapse**

Jan. 17 (EIRNS)—African leaders are underlining the severity of the economic collapse, even if they still think the downturn is cyclical.

Trevor Manuel, Finance Minister of South Africa, told the first-ever meeting of the African Committee of 10 (C10) in Cape Town on Jan. 16, that if the current collapse continues for five years, "then everything will go backwards."

The C10, convened by the African Development Bank and other institutions, currently consists of the finance ministers of South Africa, Nigeria, Egypt, Cameroon, and Tanzania, and the central bank governors of Botswana, Kenya, Algeria, the West African States, and the Central African States. The group is establishing a committee to develop an African response to the global crisis, and to issues on the G20 agenda.

African Development Bank President Donald Kaberuka (of Rwanda) stated, "This is not simply a financial crisis; it is not a narrow financial crisis. It comes on top of the food crisis, volatility in the energy markets, and also deepening poverty in Africa."

Manuel identified some of the features of the collapse in its current phase in Africa:

- \* Capital outflows as foreign investors retreat;
- \* Export markets rapidly closing to African products because of falling consumer demand and increasing protectionism;
- \* Tax bases shrinking as taxable economic activity declines;
- \* A need for rising government spending "to meet the most elementary levels of service provision."

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