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Only Four-Power Cooperation Can Save Southwest Asia

by Jeffrey Steinberg

With Congress about to take up the issue of the Iraq ``surge," and the larger issues of U.S. policy toward the Southwest Asia and Persian Gulf regions, Lyndon LaRouche has weighed in with a frank assessment that only a coordinated intervention by Four Powers--the United States, Russia, China, and India--can avert a regional catastrophe, far beyond the current level of disaster.

``The simple fact," LaRouche explained, ``is that no combination of regional actors--either Iraqi factions or some combination of Iraq's immediate neighbors--can save the situation from a downward spiral to general asymmetric warfare and worse. It has degenerated that far."

LaRouche stressed the role of the British, who, Washington sources confirm, are pursuing a policy of ``managed chaos" in the entire region....

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Feature

We Need a Candidate in the Mold of FDR

Lyndon LaRouche has blunt words for the Presidential candidates and the Congress: 'I have been totally right about the systemic nature of this collapse. All of the Presidential candidates have failed miserably, to date, to meet the standards required to solve this grave national and global crisis.' He points out that 'we are not living under normal conditions,' and Congress is behaving like fools, worried 'that their money will be cut off if they act in the genuine interest of the American people.'

Economics

Congress 'Surprised' by Crash or Cowed by Hedge Fund Money?

Political leaders who know better— because they have been briefed extensively on the financial blowout by LaRouche's associates—are paralyzed by a combination of political cowardice, and an attachment to the hedge fund/ private equity fund gang represented by Felix Rohatyn and George Shultz.

Monetary, Not Tax Reform, Needed Now

EIR testimony presented to the U.S. House Ways and Means Committee.

Saxony Crisis Is Part of the Global Meltdown

by Helga Zepp-LaRouche

After the global financial crisis led to the suspension of the state constitution in the German state of Saxony, to allow the state bank to be sold, the German Federal government must protect the real, productive economy and the public banks throughout the country.

Geologist Proposes '1,000 Wells' for Darfur; Use Science To Serve Mankind

An interview with **Farouk El-Baz**.

Science

Music & Statecraft: How Space Is Organized

by Lyndon H. LaRouche, Jr.

What is it that most physicists, even otherwise capable ones, fail to understand about the idea of spacetime? Without a Riemannian conception of a non-Euclidean physical geometry, they fall short, as did the otherwise able Hermann Minkowski. To understand why, Bach, Mozart, and Beethoven prove very helpful! 'The crucial central feature of the greatly needed reform in the definition of scientific knowledge,' LaRouche writes, 'must be premised on the actual inseparability of competent physical scientific method from the great musical reform by Johann Sebastian Bach.'

The Controversy Over 'Angular Force'

Kepler's Discovery, or the Hoofprint of Incompetence?

World News

Only Four-Power Cooperation Can Save Southwest Asia

A coordinated intervention by the the United States, Russia, China, and India is required to avert a regional catastrophe, far beyond the current level of devastation in Iraq and Palestine. As the threat of a U.S. war against Iran increases day by day, such an alliance becomes highly urgent.

Moscow Responds to British Provocations

MIT Scientist Explains Why U.S. Missile Defense Threatens Russia

Dr. Ted Postol, former scientific advisor to the Chief of Naval Operations, gave a briefing on Capitol Hill to clarify the strategic impact of the Bush Administration's policy.

LaRouche Youth in Zimbabwe Fight for Solutions to the Crisis in Africa

The British in Zimbabwe

California's Future Democratic Leaders Engage in Dialogue With State Chairman

Breaking Stories

Interviews

Farouk El-Baz, Ph.D.

Dr. El-Baz, a space geologist, is director of the Boston University Center for Remote Sensing. He is also Adjunct Professor of Geology at the Faculty of Science, Ain Shams University, in Cairo, Egypt, and president of the Arab Society for Desert Research.

Departments

Banking

Time To Pay the Piper.

Report From Germany

Pro-Regulation Campaign Gains Ground.

Book Reviews

You Won't Find the Real FDR in These Books!

FDR

by Jean Edward Smith;

The Forgotten Man, A New History of the Great Depression,

by Amity Shlaes.

Editorial

A Beacon of Hope

U.S. Economic/Financial News

Alan 'Bubbles' Greenspan Lies Again

Sept. 8 (EIRNS)—According to the *Wall Street Journal* of Sept. 7, former Federal Reserve Chairman Alan Greenspan, the man who's being increasingly blamed for the current phase of the financial blowout, hinted at the seriousness of the present financial crisis, in a Washington, D.C. speech given the previous day. Greenspan, while babbling that "business expansions are driven by euphoria and contractions by fear," compared present market behavior to the 1987 and 1998 market crashes, deliberately understating the seriousness of the situation by several orders of magnitude (no doubt to allay the fear and boost the euphoria of his high-finance audience). A more truthful comparison would have been to the Little Dark Age of the 14th Century, after the collapse of the Bardi and Peruzzi Banks in Italy.

Swan Song of Buyout Boom: TXU Mega-Deal Approved by Shareholders

Sept. 8 (EIRNS)—On Sept. 7, shareholders of TXU, the huge Texas utility, agreed to proceed with the largest buyout in history. Texas Energy Future Holdings, a holding company of private equity firms Kohlberg Kravis Roberts (KKR) and

Texas Pacific Group, agreed to buy the utility for \$69.25 per share, in a deal that may be the last hurrah of mega-buyouts—if it doesn't fall apart in the interim. There are several hurdles left to surmount, including approval by the Nuclear Regulatory Commission and the Public Utility Commission of Texas. The largest hurdle of all will be the financial system itself, busily converting trillions in "assets" into thin air as it collapses. The deal may end up costing \$45 billion.

Just last week, according to the Sept. 1 London *Times*, the banks financing the deal to the tune of \$26 billion were offering \$1 billion to KKR to break it, knowing fallout from the fast-developing credit freeze-up would leave them taking huge losses when they try to peddle the debt to fearful investors. The balky lending banks are some of the largest investment banks in the world, including Goldman Sachs, Morgan Stanley, Citigroup, JP Morgan, and Lehman Brothers. KKR refused to stop the deal. They had secured their loans at the height of the buyout boom, locking in very good terms, and were determined to plow ahead, despite the growing problems in the buyout industry with financing and closing deals.

Lyndon LaRouche's comment on the deal: "It's all bunk. The banks don't have any money. KKR is desperate, they're finished, and they know it. The whole thing is gone. It's not a series of individual problems with this or that hedge fund—the hedge fund *system* is dead, along with the entire subprime mortgage scam. They should just reconcile themselves to losing their money. My statement is: Taking any money out of the banks to bail out the hedge funds is a crime against humanity. They're dead, and it is a waste of time and effort. Putting money in hedge funds today is like investing in Reichsmarks in 1923."

Food Giants Hit by Food Shock

Sept. 6 (EIRNS)—The food giants Tyson and Kraft have reported that the hyperinflationary spike in food prices is damaging their profits and their stock prices. Bloomberg.com reports that Tyson shares fell nearly 13%, the most in six years, noting that the diversion of food crops to corn for biofuels is leaving less acreage for wheat and soybeans and thus pushing up the price of grain used to feed poultry and cattle, so that consumers must pay more for milk, beef, and chicken and related products. Wheat prices have jumped 58% on the year. Soybean prices were up 32%; corn 11%; cattle futures 7.3%.

Interbank Loan Rate Hits Record; Banks Short on Money

Sept. 5 (EIRNS)—The rate U.S. banks charge each other for overnight lending rose again today to 5.72% for the three-month rate, the highest since January 2001.

There is a virtual freeze on credit availability, as banks scramble to cover their losses on junk investments of all types. A top international banker today described it as a financial "heart attack." The banks simply don't have the money to lend.

Normally, at the end of each business day, banks loan their extra reserves to other banks at an interest rate keyed to the London Interbank Offered Rate, or Libor. The Libor, which is also rising sharply, is about 1% higher than the U.S. interbank lending rate.

Commercial Real Estate Drifts Towards Disaster

Sept. 5 (EIRNS)—Declining prices in the multi-trillion-dollar U.S. commercial real estate market now threaten a new downward plunge in the current systemic breakdown, bringing down thousands of small banks and many pension funds, unless Congress quickly passes Lyndon LaRouche's Homeowners and Banks Protection Act.

Bloomberg.com reported signs of the breakdown Sept. 5. In July 2007, investors bought the fewest commercial properties since August 2006, and apartment building acquisitions were down 50% in July, compared to June. The Tishman Speyer Properties-led group, which had planned to complete a \$13.5 billion buyout of Archstone-Smith Trust, a commercial property giant, in August, was forced to postpone that deal until October. Deals in the commercial real estate market are falling apart, as expected rates of return are revised downward. Large commercial property developer David Lichtenstein asserted, "People who can get out, are getting out."

Commercial real estate mortgages total \$2.2 trillion, many bundled into mortgage-backed securities, like the residential mortgages. "Development loans," construction loans secured only by the land on which a developer plans to build, comprise some comparable large dollar figure.

One of the most vulnerable sectors is small U.S. banks—less than \$1 billion in assets—which have gobbled up commercial real estate loans. The Federal Deposit Insurance Corporation reports that 37% of all small banks either: 1) are exposed to commercial real estate loans to the extent of 300% of their capital; or 2) are exposed to construction loans alone, to an extent exceeding their capital. In addition, the Sept. 3 *Pensions & Investment* magazine reports that many pension funds have bought commercial properties, using 80-90% leverage. Many planned to hold the properties only a short time, and sell them at a substantial speculative profit, because the market value of buildings was rising. But now, with building values weakened, the pension funds are left holding properties that are difficult to move, while incurring significant debt service on them.

World Economic News

'They're All Bankrupt!'

Sept. 8 (EIRNS)—At the International Ambrosetti Workshop in Cernobbio, Italy, bankers and economists discussed how much the international financial system has already disintegrated, and which large bank will announce bankruptcy first, the Italian daily *Corriere della Sera* reported today.

According to Kenneth Rogoff, former chief economist at the IMF, at least \$1.3 trillion has evaporated in recent weeks. At least one large bank will go bust, Rogoff says, adding that Moody's could go bankrupt too: "They make 45% of their profits with ratings on high-risk assets." But nobody knows where the largest holes are. "Not even the banks know that," says Alessandro Mitrovich of the Royal Bank of Scotland. "Even if we sat around a table, we would not get a picture of the situation."

Spanish Real Estate Debt Bubble Is Bursting

Paris, Sept. 6 (EIRNS)—The worrisome state of the real estate bubble is the main subject of discussion in Spain today, according to France's *Le Figaro*. If Spain has currently a high economic growth rate of 4%, real estate debt amounts to \$540 billion, the incredible equivalent of 70% of Spain's GDP!

For months, the Bank of Spain has exposed the fact that household debt increased an additional 18.5% this year, while the share of overall real estate debt increased even faster, at 20.2%. Enrique Garcia, the spokesman of the Spanish Consumers and Users Union (OCU), said, "One Spanish household out of four has to pay real estate debt, some of it over a 40-year period.... However, 98% of these loans have been contracted at an adjustable rate, which is quite worrisome." Indebted families spend 44% of their income to pay off their real estate debt. In two years, monthly payments went up at an average of 23%. Result: 80,000 households cannot keep up with their debt.

The Spanish press is full of stories about middle-class couples returning to live at their parents' home and trying to increase their income by renting out the apartments they had purchased.

Drastic Drop in German Manufacturing and Home Construction

Sept. 6 (EIRNS)—German manufacturing orders dropped the most in at least 16 years in July, led by a decline in demand for goods such as ships, trains, and airplanes. Orders, adjusted for seasonal swings and inflation, fell 7.1% from June, when they gained 5.1%, the Economy and Technology Ministry in Berlin said in a press release today.

That's the biggest drop since September 1991, Bloomberg.com assessed. Economists expected a decline of 2.5%, according to the median of 37 estimates in a Bloomberg News survey. One may add to this picture of a shrinking real economy, figures published by the federal statistical office of Germany, about a drop of new home-building licenses by 38%, during the first six months of this year, as compared to the same period a year ago. Permits for private homes (housing one or more families) even dropped by 47-50%. An important factor here is the scrapping of state support for housing starts, since Jan. 1, 2007, along with the coinciding drop in family incomes, making new housing projects unaffordable.

Derivatives Drive Losses on Canadian Junk Paper to 50%

Sept. 5 (EIRNS)—Despite the so-called bailout of Canada's Asset Backed Commercial Paper market, investors could still lose 50% of their investment in the \$35 billion market, according to Canada.com.

The bailout scheme, which converts short-term paper into long-term, failed to take into account the derivative trades that stood behind them.

According to one analyst, up to two-thirds of the \$35 billion in investments is backed by derivatives, such as credit default swaps, which are leveraged up to ten times, and leveraged again. "There is an imprudent amount of leverage," said the analyst, with understatement.

United States News Digest

VA Tech Probe Not Over; Families May Sue State

Sept. 7 (EIRNS)—Six families, whose relatives were killed in the Virginia Tech massacre in April, have retained a law firm which previously represented the families who lost members in the 1999 Columbine shootings, reported the Sept. 6 *Washington Post*. The Washington law firm Grenier and Fierberg won a \$1.5 million settlement against Jefferson County, Colorado, in the 1999 Columbine shootings, where students Eric Harris and Dylan Klebold murdered fellow students and teachers. Harris and Klebold were fanatical users of violent video games such as "Doom." The Virginia Tech killer, Seung-Hui Cho, had said back in 1999, that he "wanted to repeat Columbine." Cho's fascination with Columbine was documented in the Virginia Tech Investigative Panel report, issued last week. The report touches on number of issues which could come out in full, in legal proceedings. These include Cho's mental history, which was not made known to the University, and his addiction to killer video games.

GAO Flunks Department of Homeland Security

Sept. 6 (EIRNS)—The Government Accountability Office (GAO) released a report today, finding that the Department of

Homeland Security (DHS) has failed to achieve even half of the 171 goals established to keep America safe when the DHS was created in 2003. The 320-page report concludes that the DHS has "generally achieved" 78 goals, and "generally not achieved" 83, with no determination made on 10. The DHS was furious, issuing a letter to GAO chief David Walker (on July 20) complaining that the GAO was using a "flawed methodology" for review, and disagreeing with 42 of the 171 goal assessments, according to AP.

The GAO, a bipartisan agency of the Congress, also released a report last week flunking the Administration on its progress in Iraq, finding that only three of 18 benchmarks set by the Congress for the "surge" had been achieved.

Judge Strikes Down Patriot Act Provision as Unconstitutional 'Breaking and Entering'

Sept. 6 (EIRNS)—A Federal judge today struck down a key provision of the Patriot Act, as passed by Congress in 2001 and amended by Congress in 2005, calling it "the legislative equivalent of breaking and entering, with an ominous free pass to the hijacking of constitutional values."

The stricken provision is that providing for the use of National Security Letters (NSL), which enable the FBI to obtain financial, telephone, and Internet records without a court order or subpoena. U.S. District Judge Victor Marrero of the Southern District of New York, said that, given the potential seriousness of the intrusion into someone's personal affairs, and the possible chilling effect on free speech and association, there is "compelling need" to ensure that the use of NSLs "is subject to the ... checks and balances and separation of powers that our Constitution prescribes."

The Patriot Act also imposes a gag order on anyone who receives an NSL—in this case an Internet Service Provider—preventing the recipient from telling anyone about it; the court also declared this to be unconstitutional.

An internal FBI audit, and a separate Justice Department Inspector General's report, both found a significant number of legal violations in the FBI's use of NSLs in the post-9/11 period.

Addington Ran Administration's Legal Policies, Says Former DOJ Official

Sept. 9 (EIRNS)—More details on how Dick Cheney rammed through the Administration's legal policies that justified torture and warrantless wiretapping, among other things, are contained in an article in the Sept. 9 *New York Times Magazine*, based on interviews with the lawyer who ran the Justice Department's Office of Legal Counsel from October 2003 until he resigned in June 2004.

Jack Goldsmith, a conservative who agreed with the Administration's goals in its "war on terror," but disagreed with policies such as the rejection of the Geneva Conventions and the Administration's extreme formulations on what constitutes torture, says that the most important legal decisions were not made by the Office of Legal Counsel (OLC), which is supposed to advise the President on the powers of the Executive branch, but instead by a "war council" that excluded the OLC head Jay Bybee, but included Addington, and Cheney-Addington allies such as John Yoo, the deputy head of OLC; and Pentagon General Counsel William Haynes. Attorney General John Ashcroft was upset that Yoo was able to bypass him, and have direct access to White House Counsel Alberto Gonzales, Goldsmith says.

In those meetings, Addington was the "biggest presence in the room," Goldsmith says, adding that Addington was known as someone who "spoke for and acted with the full backing of the powerful vice president, and someone who crushed all bureaucratic opposition."

When Goldsmith presented his analysis that the Fourth Geneva Convention, regarding treatment of civilians in a war zone,

applied to insurgents and terrorists in Iraq, Addington was livid. "The President has already decided that terrorists do not receive Geneva Convention protections," Addington said. "You cannot question his decision." When Goldsmith decided to withdraw the most infamous of the "torture memos," Addington was furious.

"I probably had a hundred meetings with Gonzales, and there was only one time I was talking about a national-security issue when Addington wasn't there," Goldsmith says. "My conflicts were all with Addington, who was a proxy for the vice president. They were very, very stressful."

Goldsmith describes Addington and the White House as contemptuous of Congress and the courts, as well as laws they didn't like. "We're one bomb away from getting rid of that obnoxious [FISA] court," Addington told Goldsmith in February 2004, when the confrontation over the wiretap program was building.

Goldsmith says he doesn't know if the President understood how extreme were the arguments about executive power being made by Addington and others. "It's hard to know how he would know," says Goldsmith.

Army Claims Recruiting Success, But at Growing Cost

Sept. 4 (EIRNS)—The Army announced today that it will meet its recruiting goals for fiscal year 2007, which ends on Oct. 30, but in a recruiting environment that is getting tougher. Maj. Gen. Thomas Bostick, the commander of the U.S. Army Recruiting Command, told reporters that the propensity for 17- to 24-year-olds to join the military is the lowest that it has been in two decades, having dropped from 25% to 15.7%. Support among mothers for joining the military has dropped from 40% in 2004 to 25% today, and among fathers, 50% to 33%. Bostick related the drop in support for military service to growing opposition to the war in Iraq.

To overcome these difficulties, the Army is paying higher bonuses and relaxing moral, educational, and age standards. One result is that the cost of getting a recruit to decide to join the Army, and then shipping him to basic training, has increased from an average of \$14,000 in 2004 to \$18,000 this year, with some recruits eligible for bonuses of up to \$40,000.

As for the \$20,000 "quick ship" bonus, where recruits who sign up in August and September get \$20,000 if they go to basic training before the end of the fiscal year, Bostick denied that it had anything to do with the deployment rotation schedule, as some have speculated. "We are not quick-shipping to send them to Iraq," he said.

The Auto Industry Is Indeed Disappearing

Sept. 3 (EIRNS)—National Public Radio (NPR) this morning, Labor Day, spent six minutes reporting on how "labor" is disappearing. Their focus was on the hundreds of small to medium-sized auto industry support facilities, which make the thousands of parts which are then assembled into automobiles, at the plants of Toyota, GM, Ford, and others.

This is the heart of the U.S. "machine-tool" industry; in fact, the shop NPR broadcast from had a 160-ton punch press, an incredible power-density tool.

They estimated some 30 major bankruptcies of these auto supply shops since 2000, and many smaller ones, amounting to 185,000 jobs lost, "far more than the major manufacturers," which have cut or lost "only" about 100,000 in the same time. Health insurance costs and steel prices are both up, and NPR acknowledged it's only going to get worse. Vehicle sales are down, and even Toyota is feeling the pinch. NPR's report concluded that another one-third to one-half of these shops won't be around in three years.

There is nothing inevitable about this development. LaRouche has had a proposal on the table for saving the auto machine-tool sector since the spring of 2005.

Ibero-American News Digest

Mexican Farmers Organize for Infrastructure

Sept. 7 (EIRNS)—Infrastructure projects, such as the proposed Northwest Hydraulic Plan (PLHINO), which can expand irrigated farming in Mexico's Pacific grain-producing states, are now "a matter of state and national security," given the international financial crisis, 15 farm, labor, and other organizations from the south of the Mexican state of Sonora asserted in an ad published in the state's four leading dailies on Sept. 2.

The LaRouche movement has campaigned for the PLHINO for decades, and LaRouche organizers in Sonora have taken the lead in organizing a popular movement in the region which intends to finally get federal backing for this vital project.

The full-page ad—headlined "Let Us Build the Bridge to the Future: Let's Make the PHLINO of the 21st Century"—zeroes in on the existential issue which Mexico faces in the systemic breakdown crisis: restoring self-sufficiency in food production, before reliance on scarce and costly imported food creates massive shortages, famine, and social upheaval.

After 15 years of economic takedown under the North American Free Trade Agreement (NAFTA), Mexico today imports 30% of the grain it consumes. The fact that Mexico has become the world's leading importer of corn, rice, sorghum and powdered milk, at a time when hyperinflation is hitting food prices internationally, must be treated as a national emergency, LaRouche organizers insist.

The PLHINO would connect the 16 rivers which run from the western Sierra Madre mountain range into the fertile coasts of the states of Nayarit, Sinaloa, and Sonora, allowing 28 billion cubic meters of water in the region to be channeled efficiently, opening up new lands for cultivation of the basic grains which the nation needs so urgently.

Led by Sen. Alfonso Serrano of Sonora, and two of his counterparts from Sinaloa and Nayarit, the Mexican Senate passed a resolution last April, calling on the national government to adopt a vigorous policy of public investment in basic infrastructure, particularly water management, in order to restore Mexico's food sovereignty. The resolution cited the PLHINO as urgent. Now, the groups which put out the ad in Sonora, intend to get the job done.

AEI Plan To Dismember Bolivia Goes into High Gear

Sept. 1 (EIRNS)—Dick Cheney's friends at Washington, D.C.'s American Enterprise Institute are surely salivating over recent developments in Bolivia. On Aug. 29, the mayor of the city of Santa Cruz, Percy Fernández, proposed that Bolivia be divided into two nations—precisely what AEI analyst Mark Falcoff laid out in a June 2004 article that was widely disseminated in Bolivia.

At that time, the racist Falcoff wrote that by necessity, Bolivia's map would have to be "redrawn," such that two nations would emerge. One would be a poorer, "indigenous" coca-producing nation in the west, and the other an oil-rich "European" one in the east. Echoing him, Fernández called for the six provinces of eastern Bolivia to join together to form a new "Nation of the East," leaving the three remaining provinces of La Paz, Oruro, and Potosí to form the "Nation of the

West."

Although the Santa Cruz civic committee to which Fernández is linked has been calling for "autonomy" for the region for the past three years, this is the first time these forces have so explicitly detailed a plan to split the nation. This is no accident. International banking and political factions close to Cheney and his British sponsors have escalated their deployment in recent weeks to plunge Bolivia into chaos and violence, seeing it as a weak link among the several Ibero-American nations that are forging alternative policies to the bankrupt International Monetary Fund's system.

The Cheney-Bush Administration is up to its eyeballs in destabilizing Bolivia. Bolivian military sources have told *EIR* that U.S. Ambassador Philip Goldberg is a frequent visitor to Santa Cruz, and has met more than once with the civic committee, a group of oligarchical businessmen who are the driving force behind the separatist offensive. On Aug. 26, President Evo Morales charged that the United States was channeling some of its financial assistance to the country into a "counterrevolutionary movement," implicitly accusing Ambassador Goldberg of "conspiring" against the government. In a separate speech, Vice President García Linera accused the U.S. Embassy of providing funding for seminars that think-tanks of opposition groups hold, in order to bolster "ideological resistance" to the government.

Brazilian Nationalist Lessa Calls for Exchange Controls

Sept. 5 (EIRNS)—Carlos Lessa, the former head of Brazil's National Economic and Social Development Bank (BNDES), argued in an Aug. 29 column in *Valor Economico* that while President Lula da Silva and Finance Minister Guido Mantega may be saying that the financial crisis is just a domestic U.S. matter, in order to prevent "domestic panic," they would be better off "thinking about restoring exchange controls,"

The increase in capital flight and Brazil's risk rating in August show that "the international financial system does not consider Brazil an island of tranquility in an ocean of world crisis," the feisty nationalist pointed out. The Central Bank's policy of attracting foreign capital by keeping interest rates high, proved its vulnerability with the first emanations of a foreign crisis.

What Brazil needs is to grow, Lessa argued. Inequality in the country is terrible. Brazilians are leaving because of unemployment; an estimated 4 million youth are now looking for work outside the country. New forms of indebting Brazilian families, including retirees and the most poor, are what have kept the domestic market afloat.

Indebting families is not a strategy for sustainable economic growth; that requires creating new jobs, raising the average salary, and doing what the Central Bank discourages: securing public and private investment in expanding the country's productive capabilities, Lessa wrote. And he reiterated: "Brazil should restore exchange controls."

Western European News Digest

Financial Times Inflates Dick Cheney

Sept. 1 (EIRNS)—If there was ever any doubt that Vice President Dick Cheney is London's stooge-in-chief at the White House, the Sept. 1 *Financial Times* cleared up any confusion. In a page-two half-page promo, headlined "Cheney the Survivor Without Challengers," the paper, exclusively citing "former" Cheney aides—Cheney official biographer and American Enterprise Institute scribbler Stephen Hayes, and former Cheney spy-in-chief at the State Department John Bolton—promoted the hyperinflated notion that Cheney is now more powerful than ever, and is the "last man standing" beside President Bush when the "decider" does his deciding.

The *FT* made no bones about the fact that they are cheerleading for Cheney to induce the President to bomb Iran—an action that the British are pushing as hard as they can. Middle East regional sources, recently interviewed by *EIR*, reported that everyone expects the United States to bomb Iran sometime in the next 12 months, and that such a needless bombing campaign, regardless of the impact on the Islamic Republic, would "finish off the United States" as we know it.

Finland Hosts Secret Talks Among Iraqi Factions

Sept. 4 (EIRNS)—At the end of a four-day meeting, negotiators today published a two-page document, agreeing to follow 12 recommendations for starting negotiations in order to reach national reconciliation between Sunnis and Shi'ites in Iraq.

According to the Associated Press, as a basis for discussions, the Iraqi participants in the negotiations were not identified, and neither the U.S. nor other governments were invited. University of Massachusetts professor Pdraig O'Mally, speaking on U.S. National Public Radio, said negotiators were "handpicked by Sunni Vice President Tariq al-Hashemi and Shi'ite Vice President Adil Abdul-Mahdi." O'Malley brought along a number of Northern Ireland political figures, from both the Sinn Fein and Protestant camps, who played a pivotal role in the peace agreement that ended decades of religious and sectarian killing in Northern Ireland—all stoked by British counterinsurgency demons.

New Terror Threats Come from London; Target U.S.-Russia Cooperation

Sept. 7 (EIRNS)—Reviewing the pattern of terror threats and provocations sketched out below, Lyndon LaRouche said today, "This is coming from London. Britain is determined to prevent US-Russian cooperation." But without that U.S.-Russian cooperation, he said, you can't have peace in Southwest Asia, whatever some may say to the contrary. Peace can't be achieved simply through cooperation of forces within that region; the British have enough points of control and influence to prevent it.

The British are provoking these destabilizations either directly, or else through their continuing Sykes-Picot networks. Expect all the crazies to come out of the woodwork. The pattern in Europe is significant.

* Earlier this week, Denmark arrested eight persons, supposedly linked to Al-Qaeda. The group was activated by a new cartoon portraying Mohammed with the body of a dog, published by the Scandinavian press.

* At the same time, three people were arrested in Germany, two of them German converts to Islam, with over 700 kilograms of explosives, military detonators, and plans targeting the U.S. airbase at Ramstein, and night clubs frequented by American soldiers. The 28-year-old leader had been under surveillance by the German police when he was mapping that area late December 2006. Police had infiltrated deeply into the plot. Seven more suspects are being sought. The suspect had crossed the border into France in the past, and France has now gone on a red terror alert, activating the intensified surveillance plan "Vigipirate."

* Last weekend, four activists of the Basque ETA were arrested in Cahors, France, with considerable quantities of explosives and plans. One was a top bomb manufacturer of ETA, and another was an influential leader.

* During the latest week of August, a semi-professional explosive device was discovered at the Ecole des Hautes Etudes Commerciales in a Paris suburb. Sarkozy was scheduled to speak at that location to the summer conference of the French employers association MEDEF.

Record Write-off of Consumer Debt by British Banks

Aug. 31 (EIRNS)—Bad personal debt write-offs by British banks increased by 20%, the highest in the 16 years that such records have been kept, reports today's *Daily Telegraph*. For the second quarter alone, the jump was from 2.1 billion pounds to 2.3 billion pounds over last year. In annual terms, the write-off could reach 8.9 billion pounds this year. This would include 3.2 billion pounds in credit card debt that has already been written off. This reflects the fact that higher interest rates are starting to bite, and bodes ill for mortgage holders. Already, the number of properties put up for auction has increased by 32%.

Italian Home Repossessions Skyrocket in Global Crisis

Sept. 1 (EIRNS)—According to consumer associations, 450,000 Italian families are having trouble with their mortgages, due to the increased cost of mortgages taken out at variable interest rates. The magazine *L'Espresso* found out that in Milan, home repossessions were 1,591 in August, as compared to 1,883 for the whole of 2006. A Venice research center estimates that family home debt increased 326% in the past years.

In a pathetic effort to deal with the social crisis, the government is proposing a 10 million euro fund, to help families pay penalties and legal costs for a 24-month delay of interest payments to their banks.

British "Hovis" Brand Breadmaker Jacks Up Loaf Price

Sept. 4 (EIRNS)—British baking firm Premier Foods, maker of Hovis, one of the most common brands of packaged bread in Britain, this week implemented a price increase of 8 pence a loaf. The company cited a doubling of wheat prices in the last 12 months, and also announced a 50% drop in its profits. The price hike means that an 800-gram loaf of Hovis white bread could cost over 1 pound, up from 88 pence last year.

Warning of price increases in other foods because of the increased production of biofuels, Robert Schofield, CEO of the company, said, "Everyone is focusing on wheat and bread prices at the moment, but there is a general inflation that hasn't been with us since the 1990s. As long as governments are going to grow fuels, there will be in effect an environmental tax on food.

Straitjackets for Illegal Immigrants Deported From Spain

Sept. 4 (EIRNS)—Spain's Interior Ministry has authorized police to use straitjackets and helmets on illegal immigrants who are being deported from the country by airplane, should they offer resistance. Human rights groups have denounced the practice as "inhuman and degrading."

The illegal immigration issue has become a politically volatile one in Spain, which in recent years has seen a significant flow of immigrants entering the country illegally, especially from northern Africa. On Sept. 4, Spanish television publicized the case of a Romanian immigrant who set himself on fire, after he failed in to get help from authorities to return home.

Former British Commander Jackson Blasts U.S. Iraq Policy

Sept. 1 (EIRNS)—In a new autobiography, Gen. Sir Mike Jackson, the head of the British Army during the invasion of Iraq, attacked U.S. policy in Iraq, especially that of former Secretary of Defense Donald Rumsfeld, who, Jackson says, is "intellectually bankrupt." The Jackson book comes out at the point when most British ground troops are leaving Iraq—leaving the Americans alone in the quagmire that the British urged them to create.

Several Countries Want To Try Berezovsky

Aug. 31 (EIRNS) — Russian prosecutors are not the only ones looking into their files on Boris Berezovsky. Investigations are being conducted into the role of the London-based exiled Russian oligarch in other countries as well.

In France, investigators are pursuing a money-laundering case involving Berezovsky, and a Russian team will come to Paris next week, to brief their French colleagues. Last week, a Dutch team was in Moscow, probing tax evasion and other criminal charges which Berezovsky is said to be linked to. And Brazilian prosecutors want to have him extradited, in a money-laundering case involving a prominent soccer team there.

Russia and the CIS News Digest

Russian Premier: Look To a 100-Year Railroad Boom

Sept. 8 (EIRNS)—The development of Russia's railroads until the year 2030 was at the center of discussion at a Sept. 6 Cabinet meeting, chaired by Prime Minister Mikhail Fradkov. Speaking to Russian Railways CEO Vladimir Yakunin, Fradkov congratulated him for "getting out in front," in developing his sector of responsibility. "This is appropriate for the role railroads play, and will play for the next 100 years, in the context of a railroad boom."

Yakunin and Deputy Minister of Transport Alexander Misharin presented "minimum" and "maximum" versions of the rail plan, which won initial approval on April 10, when Yakunin reported to a government meeting with President Vladimir Putin. After the Sept. 6 deliberations, it awaits a final decision in November, in conjunction with the overall Russian economic development policy for the next 15 years. If implemented, *Vechernaya Moskva* newspaper wrote yesterday, the maximum program will mean that "rail becomes one of the most crucial national projects."

Misharin underscored the urgency of new construction and equipment procurement, noting that 70% of Russian rolling stock and 84% of locomotives are obsolescent. Total track has shrunk by 2,500 km in the past 15 years. In the "maximum" Russian Railways plan, 20,000 km of new railroads will be built by 2030, including high-speed networks in the western part of the country and central Siberia, new freight lines in Siberian raw materials areas, and "strategic" connections, including the 3,500 km line to the Bering Strait. The article "Russia: Contours of an Economic Policy to Save the Nation," in *EIR* of Sept. 7, details these plans.

Yakunin motivated the maximum program, according to Russian media reports, as "the infrastructural basis for long-term economic growth in Russia," as well as a higher standard of living, and development of new regions and new raw materials sources. In his words, "Full-scale implementation of the strategy will guarantee Russia's social and economic development according to an innovation scenario."

The plan anticipates 13.8 trillion rubles of investments (\$530 billion at the present exchange rate), of which the federal budget would provide 20%; Russia's regions, 5%; and the state-owned company Russian Railways, 42%. The other one-third of the investments would be sought from private sources. The indicated federal financing level represents a 70-fold increase in government funding for rail, Misharin pointed out.

Misharin presented a concept of "flexible rates" for the railroads, with discounts according to specific purpose. Media based in the Urals were quick to say that this approach could make the Industrial Urals-Arctic Urals regional resource development program profitable. *EIR* of Sept. 7 also reported on the controversy around this megaproject.

U.S. Ambassador Is Asked About Bering Strait Plan

Sept. 8 (EIRNS)—William Burns, the U.S. Ambassador to Russia, has just toured the Russian Far East. Interviewed yesterday by Itar-TASS, he focussed on potential cooperation between Russia's easternmost region of Chukotka, and neighboring Alaska. While several of the questions and answers involved polar bears and tourism, Itar-TASS also asked Burns, "There exists the almost fantastical project of a rail tunnel under the Bering Strait. If it is done, how big will the economic benefit be for Russia and the U.S.A.?"

Burns replied, "That project is a very interesting idea," before calling it also "difficult and expensive," and saying he was not an expert. "There have been many conferences on this question," said Burns, adding that he would like to look at data on the project's viability.

Burns is a career diplomat, not a political appointee. The most prominent conference on the Bering Strait was the April 24, 2007 event, which heard from Americans Lyndon LaRouche and former Alaska Governor Walter Hickel.

In popular Russia press coverage of the Sept. 6 government meeting on rail development, the Bering Strait project is also prominent. *Vechernakaya Moskva* headlined, "From Washington to Moscow by Train?" The vision of the Russian rail people, the paper said, is for "an infrastructure link between the U.S.A., Japan, India, and Europe—a kind of overland Suez Canal."

Schedule of U.S.-Russia Strategic Talks Is Packed

Sept. 7 (EIRNS)—At least three meetings of technical and military experts, as well as political officials, will take place in September on strategic issues that are on the table between the United States and Russia. A Sept. 10 meeting in Paris will discuss missile defense, the expiring START treaty, and the Conventional Forces in Europe (CFE) Treaty. So far, the U.S. leadership has refused to budge on the deployment of missile system components in the Czech Republic and Poland, while officially remaining open to President Vladimir Putin's offer to use Russian-owned or leased facilities instead; the United States is refusing to renegotiate START; and the Russians want the CFE Treaty either changed or ended. The Russian delegation for the talks will be headed by Deputy Foreign Minister Sergei Kislyak.

On Sept. 15, Russian, American, and Azeri experts will meet in Baku to discuss the use of the Russian-leased Gabala radar station for joint ballistic-missile defense (BMD). According to a source at the Russian Embassy in Washington, there will also be a meeting in Rome on strategic issues. In October, the 2+2 meeting of defense and foreign ministers will take place in Moscow. This source indicated that some in the Russian military are unhappy with Putin's proposal to share BMD technology. They are concerned that the Pentagon merely wants access to Russian modeling and algorithms used in missile defense systems.

At the top level, Russian-American BMD talks resumed between Putin and President George Bush at the Asia Pacific Economic Cooperation Forum (APEC) meeting in Australia. Putin said, "We discussed all problems on the bilateral agenda and most important international issues, first of all things related to the ABM problem." According to Itar-TASS, he mentioned the upcoming experts' trip to Azerbaijan, and added, "Thus we state that the process of the joint work in this sphere is continuing."

Putin also indicated that the two sides had discussed "some particular large-scale economic projects, the implementation of which is in the interests of the business communities on both sides, in the U.S. and in Russia," without indicating what these projects might be.

Russia Upgrades Strategic Missile Forces

Sept. 2 (EIRNS)—Gen. Col. Nikolai Solovtsov, commander of Russia's Strategic Missile Forces, said on Sept. 1 that Russia will be conducting tests of new warheads, including multiple reentry vehicles, for its Topol M land-based and Bulava submarine-launched ballistic missiles, *RIA Novosti* reported. The new warheads, he indicated, would help penetrate missile defenses more effectively. "If the U.S. proceeds with missile defense plans, despite serious opposition from people in Europe, the Strategic Missile Forces will manage to take adequate measures to counter threats to Russia," he said. The previous week, Solovtsov announced that a second Topol M missile battalion would be on duty before the end of the year, and that deployment to two more regions of central Russia would take place in 2010.

Putin's Indonesia Trip May Be Worth \$10 Billion

Sept. 4 (EIRNS)—In previews of President Vladimir Putin's five-day trip abroad, which took him to Indonesia for the first time, Russian press wrote that his trip would "open the way for billions of dollars of Russian investment in the country's oil and aluminum industries," the *Moscow Times* reported. Deals worth as much as \$10 billion could be generated for Russian industry in Indonesia, including a contract between Indonesian metals and mining major firm Aneka Tambang, or Antam, and Russian Aluminum (Rusal) for construction of a \$4 billion aluminum smelter in Tayan, East Kalimantan.

"We are interested in Indonesia due to its rich bauxite resources," Rusal spokeswoman Olga Sanarova was quoted in the newspaper. She mentioned a "project to create a bauxite-processing plant in the country." Rusal is the world's largest aluminum producer. Indonesia's proximity to China, one of the world's largest aluminum consumers, makes the prospective deal especially attractive.

In the oil sector, LUKoil was set to ink a deal with Indonesia's Pertamina, LUKoil spokesman Vladimir Simakov said. A subsidiary of the oil major, LUKoil Overseas, signed a memorandum of understanding with the Indonesian company in April on the development of fields in Russia, Indonesia, and third countries, he said. LUKoil president Vagit Alekperov accompanied Putin on the trip. Simakov said that investment by Russia's Alfa Group in Indonesia's telecommunications sector would also be on the agenda.

The Sukhoi aircraft company was expected to firm up the sale of additional fighter jets to Indonesia.

After Indonesia, Putin attended the Asia-Pacific Economic Cooperation summit and held bilateral meetings in Australia. En route home, he is slated to stop over in the United Arab Emirates on Sept. 10.

Southwest Asia News Digest

Palestinians Tell British: You Want To Trap U.S. in Wars!

Sept. 7 (EIRNS)—Palestinian refugees in Jordan sent a scathing letter to British Foreign Office Minister for Middle East affairs Kim Howells, in which they express a clear understanding of the history of British Empire, and its current game of destroying the United States, by entangling it in war in Southwest Asia to serve British interests. The refugees, who were driven out of their homes in the town of Ein Karem near Jerusalem in 1948 by Jewish terrorist groups, were responding in their letter to Howells' statement in August, that "it was not logical that all Palestinian refugees would return to their villages in Israel."

"Your logic, Minister," they said, "is the logic of the pirates of the time of Queen Victoria, and the logic of those [British

soldiers] who hung the Egyptian peasants in Dinshwai village, and those who forced opium on China, and those who killed ten thousand of the people of India. Your statements in Amman show that you still use that logic."

The letter referenced current British policies in the region, saying: "Your games can no longer fool anyone. People know now that Britain does not want a solution to the Palestinian issue, but rather it wants it to remain a thorn in the side of the region. We also know that fanatical Jews, especially those in the United States, follow the dictates of Britain, which wants to fool them, and lure them and America into a war with Iran, exactly as it lured the U.S. into the war in Iraq, in order to enable Britain to fight the people of the region to the last American soldier."

They added: "We also know that your country is behind the Neo-Conservatives, to the extent that you alleged that Tony Blair was one of them in order to endear him to the White House."

The letter, which was published in the Qatari daily *Al-Raya* yesterday, described how the British Empire created all the crises in the region, especially by orchestrating the Israeli takeover of Palestinian land. It asked how any sane person could accept former British Prime Minister Blair as a "peace broker," when it was his government and previous British governments that had conspired to create the Palestinian tragedy.

Pope Meets with Leaders of Syria, Saudi Arabia, and Israel

Sept. 8 (EIRNS)—Pope Benedict XVI is conducting a series of meetings with leaders of Southwest Asia, discussing the crisis there. On Sept 5, Farouk al-Charaa, Vice President of the Syrian Arab Republic, met with the Pope, to whom he hand-delivered a personal written message from Syrian President Bashar al-Assad. The Vatican reported that the discussions including the "hundreds of thousands of Iraqi refugees" taken in by Syria and "the decisive contribution the Syrian Arab Republic can make to the grave crises affecting many people in the Middle East."

On Sept. 6 the Pope received Saud al-Faisal, Foreign Minister of the Kingdom of Saudi Arabia. The Vatican reports: "Subjects of mutual interest were discussed, " which included "implementation of joint initiatives in favor of peace."

Also, on Sept. 6, the Pope received Israeli President Shimon Peres. Their discussions included "the recent renewal of contact between Israelis and Palestinians and the effort to restore peace to the Holy Land."

Lebanese Maronite Patriarch Cardinal Sfeir is also in Vatican City for meetings. All the leaders also met with officials of the Vatican Secretariat of State, and Italian leaders.

Fatah Leader Barghouti Calls on Hamas To Support Elections

Sept. 3 (EIRNS)—Imprisoned Palestinian leader Marwan Barghouti of Fatah, called on Hamas to accept early elections as the only means to settle internal Palestinian differences. He also criticized "the bloody coup by Hamas [which] has clearly destroyed the bridges between Hamas and Fatah." He made the comments in a written interview granted the Associated Press, and appearing in the Israeli daily *Ha'aretz*. "The ball is in the court of Hamas," he said. "It hasn't initiated anything, and is monopolizing rule in the [Gaza] Strip, using force. It is clear that the road for dialogue is closed."

"The military coup carried out by Hamas dealt a big blow to the nascent democratic experience," Barghouti said. "We should head toward presidential and parliamentary elections at the same time. This should be done as a way out of the current crisis. Hamas should approve these elections."

But Barghouti also warned his own Fatah movement, that if it doesn't hold internal elections and carry out internal

reforms, elections could endanger the group's role in the occupied territories entirely.

Palestinian President and Fatah leader Abu Mazen (Mahmoud Abbas) signed new election rules, to the disadvantage of Hamas, but cannot hold elections in the Gaza Strip unless he receives the approval of Hamas.

State Dept.: U.S. Pursuing Diplomacy With Iran, Not War

Sept. 4 (EIRNS)—Despite the recent press reports about U.S. military plans for devastating air strikes on Iran, the State Department says that there has been no change in U.S. policy.

At today's State Department press briefing, *EIR* correspondent William Jones asked: "There are reports from Pentagon Planning that much of what's going on with regard to the various scenarios over an attack on Iran, which goes on the whole time as a part of general planning, is becoming more intense, more focused. One person indicated that, 'It's scary,' is how he commented on it.

"We've also had the statements from the President, from others, talking about the danger of nuclear holocaust in Iran. The rhetoric has been increasing. And I was wondering, are we moving from the diplomatic track toward something more serious, or is that diplomatic track, with regard particularly to the uranium nuclear weapons, still fully on?"

State Department spokesman Tom Casey responded: "I'm not sure where that interpretation is coming from, but certainly there's been no change in U.S. policy. The President's made it clear, the Secretary has and others as well: We are dealing with Iran's nuclear program through a diplomatic process, working with our colleagues in the Security Council, as well as the Germans.

"Certainly, as you know, no President ever takes any options off the table. But I can't point you to any information that would lead me or anyone else to conclude that there has been any decision made to change U.S. policy with regards to Iran's nuclear program.

"And that means what we're looking for right now is completing discussions with our friends and allies in the Security Council, moving toward another sanctions resolution on Iran, all the while continuing, again, to hold out the prospect for the Iranians that they have an opportunity to take a different course: engage in negotiations with us if they suspend their uranium enrichment programs and activities, and achieve what they say their stated desire is, which is a civilian nuclear program, even while being able to assure the rest of us that they aren't using that as cover to build a nuclear weapon."

However, with Dick Cheney still in office, anything is possible; including airstrikes again Iran.

Iran's Rafsanjani Elected Assembly of Experts Leader

Sept. 4 (EIRNS)—Hashemi Rafsanjani, former Iranian President and head of the Expediency Council, was elected head of the Assembly of Experts for the body's fourth term, the Iranian news agency, IRNA, announced this morning. Rafsanjani won by 41 votes out of 76, against Ayatollah Ahmad Jannati, who got 34. The man Rafsanjani is replacing was Ayatollah Ali Meshkini, who passed away on July 30 at the age of 86. The death of Meshkini, known as a hardliner, was reported as the first phase in a fight for power inside the country's leading institutions. Rafsanjani is considered a moderate, whereas Jannati is a hardliner.

The Assembly of Experts is made up of 86 members, who were elected through nationwide elections on Dec. 15, 2006, for

a nine-year term. The Assembly is responsible for electing the Supreme Leader, monitoring his performance, and, if necessary, removing him from office.

Did U.S. Policy Change Trigger Karbala Battles?

Sept. 3 (EIRNS)—On Aug. 28, a gun battle left over 50 people dead, in the Iraqi city of Karbala, which is revered by the Shi'ite branch of Islam. Initially, the uprising was blamed on rival Shi'ite militias, but now it appears otherwise. An article that first appeared in the Sept. 2 *Los Angeles Times* revealed that it was the appearance on the scene of a rival Shi'ite leader, Ammar Hakim, which sparked the violence.

Recently, Hakim has been courted by U.S. operatives, as a possible replacement for the struggling Iraqi Prime Minister, Nouri al-Maliki. Hakim, although schooled in Shia seminaries in Iran, is well known to Western operatives, since his father, Abdelaziz Hakim, has been head of the Supreme Iraqi Islamic Council for years. Now that the elder Hakim has lung cancer, his son has taken on those responsibilities. Ammar Hakim has another feature which no doubt endears him to Western leaders: He is in favor of privatization of the Iraqi oil wealth.

Iraqi Shi'ite cleric Moqtadr al-Sadr, head of the Mahdi Army, over 200 of whom were arrested since the Karbala fighting, has demanded an immediate, "professional and neutral" investigation into the incident, to which Iraqi Prime Minister al-Maliki has now agreed. It is also being reported that al-Sadr is "standing down" as the militia's leader, until a "restructuring" can be done, to root out traitors to his cause.

Al-Sadr aide Salman al-Feraiji blamed the United States for the outbreak in Karbala. He told the Associated Press, "They drove a wedge between Shi'ites and Sunnis, and now they want a Shi'ite-Shi'ite rift."

Asia News Digest

Japan To Impose Restrictions on 'Piranha' Hedge Funds

Sept. 6 (EIRNS)—Japan's newly appointed Financial Services Minister, Yoshimi Watanabe, told the press yesterday, "We'd like to bring down hedges surrounding the Japanese markets, and attract investment from around the world." He said he wanted to give assurances that the Japanese market remained "a pond where fish from overseas could swim.... However, when piranhas happen to come, we have to take them out." He added that Japan "cannot judge whether hedge funds are piranhas until we see their teeth. Those who break compliance rules will be considered piranhas, and those who do not do so will not be considered as such," he said.

The new Financial Instruments and Exchange Law will upgrade the existing Securities and Exchange Law and other financial regulations. It will come into full effect Sept. 30.

Russia Dramatically Upgrades Relations with Indonesia

Sept. 8 (EIRNS)—Russian President Vladimir Putin signed a \$1 billion arms deal with Indonesia, the world's largest Muslim nation, while visiting Jakarta this week on the way to the Asia-Pacific Economic Cooperation (APEC) summit in Australia. As the first Russian leader in 50 years to visit the giant of Southeast Asia, Putin signed deals totaling over \$8 billion, including a linkup between Indonesia's state energy company Pertamina and Russia's Lukoil for oil and gas exploration; a huge bauxite mining project in Kalimantan; links between state banks Bank Mandiri and Alfa Bank; and trade deals.

Although the United States is reestablishing military relations with Indonesia, the U.S. arms embargo from 1998-2005, and similar restrictions from the European Union, taught Indonesia a lesson about sovereignty. "Requirements for purchasing arms from Western countries are complicated, with preconditions attached, such as human rights, accountability, not to mention licensing," Indonesian Defense Minister Juwono Sudarsono told reporters in Jakarta. "In our past experience with Britain, we were not allowed to use Scorpion tanks in Aceh, even though we were facing armed separatists." There are no strings attached to the Russian deal.

Russia has also extended a \$1 billion line of credit to Indonesia for 15 years.

North Korea Agrees To Dismantle Its Nuclear Program This Year

Sept. 2 (EIRNS)—U.S. Assistant Secretary of State Christopher Hill announced in Geneva this afternoon, that the North Korean government "will provide a full declaration of all their nuclear programs and will disable their nuclear programs by the end of this year, 2007," reported Reuters. Hill's declaration followed the conclusion of the second day of two days of talks with his North Korean counterpart, Kim Gye-gwan. "We made it clear, we showed clear willingness to declare and dismantle all nuclear facilities," said Kim, reported Associated Press. "We are happy with the way the peace talks went." The two discussed a range of issues, one of which, Kim said, was removing North Korea from the State Department's list of state sponsors of terrorism. "In return for this we will receive political and economic compensation," Kim said. "We wouldn't be an enemy country anymore."

South Korea To Open an Experimental Fusion Testbed

Sept. 8 (EIRNS)—South Korea has completed building an experimental fusion energy testbed that will be unveiled next week, South Korea's National Fusion Research Institute said Sept. 6. The state-run laboratory in Daejeon told *YonHap News* that the construction work on the Korea Superconducting Tokamak Advanced Research (KSTAR) took nearly 12 years and cost the country 309 billion won (US\$328.7 million). They said if all goes well, plasma is to be created for sustained operations in the second half of 2008.

KSTAR uses superconducting materials identical to those of the International Thermonuclear Experimental Reactor (ITER), and has been built with local technology. The Ministry of Science and Technology said it wants to become one of the top five nuclear fusion energy powers by 2021, and build its own commercial fusion reactor around 2040. ITER, which is being built in France, is expected to allow the world to use fusion energy as a power source after 2030.

Thailand Will Seek Out 200 Nuclear Experts

Sept. 4 (EIRNS)—Thai Prime Minister Surayud Chulanont told the press yesterday, "It will take us 10 to 15 years to have the first nuclear power plant, and we need 200 nuclear experts to help us." The experts are to be sought around the world. Thailand's state energy company, the Electricity Generating Authority of Thailand (EGAT), plans to invest \$6 billion to build the 4 GW plant, which is expected to be operational in 2020.

However, Thailand's King, speaking to Thai ambassadors and Foreign Ministry officials, advised "extreme caution because of potential dangers and social conflicts" in the use of nuclear energy, according to *The Nation*. This prompted the Nuclear Power Infrastructure Preparation Committee to request a meeting of the Science and Energy Ministers with the King, to "listen to his advice," as the Thai press carefully put it.

Currency Fluctuations, Decline in U.S. Imports, Destroy Export Industries in Southeast Asia

Sept. 6 (EIRNS)—Reports from Thailand and the Philippines indicate that the dollar collapse is driving dozens, perhaps hundreds, of export factories out of business. A source from Bangkok told *EIR* that 3,000 firms are behind in their payments to the government for social security, and may be shut down, threatening over 1 million jobs. One huge tennis shoe factory closed suddenly, dumping 5,000 jobs. Trade unions have organized demonstrations to demand government action to stop factory closings.

In the Philippines, 75 small and medium-sized export businesses have closed this year. Sergio Ortiz-Luis Jr., president of the Philippine Exporters' Confederation, appealed to the central bank to reconsider its foreign exchange policy and slow down the peso's appreciation (i.e., the dollar's collapse), urging that the peso be made to remain within a fixed range to the dollar. "We cannot survive with the presently strong peso, especially one that rapidly appreciates or one that widely fluctuates," Ortiz-Luis said. "The strong-peso-equals-a-strong-economy argument is only a myth.... We only have to look at the export figures to know that while total export revenues are increasing, the fact is, 80% of our exports are labor-intensive and have thus fallen victim to the appreciating peso," he said.

The peso has gained 5% against the dollar since the start of the year, while the Thai baht has gained nearly 11%.

Change of Policy Towards Myanmar?

Sept. 8 (EIRNS) - President George W. Bush told the press yesterday that he had invited Southeast Asian leaders to Texas for a summit, including an official from Myanmar, despite the fact that he spent much of his time at the Asia-Pacific Economic Cooperation (APEC) summit, in Australia this week lambasting the Myanmar regime, while his wife has made Myanmar-bashing her favorite pastime.

The White House, however, said that all heads of state of the Association of Southeast Asian Nations (ASEAN) had been invited, except Myanmar, whose "level of participation is to be determined."

Africa News Digest

U.S. Idiocy in the Horn of Africa Creates Chaos in Somalia

Sept. 8 (EIRNS)—The British have had a stunning success in getting U.S. Vice President Cheney and his neo-con crowd to implement their policy in the Horn of Africa. According to Somalia expert Ken Menkhaus, chaos and fighting are on the rise, and people in the region are blaming the United States, which supports the transitional government and the Ethiopian intervention (an intervention U.S. forces were also directly involved in).

Speaking at a U.S. policy forum in Washington, D.C. Sept. 6, Menkhaus (who gave an interview to *EIR* on May 11) said he saw no improvement, in the short term, in Somalia, as long as the present policies are maintained. He compared the situation to the chaotic period after the UN force was driven out of Somalia in the early 1990s. Since the April attack on Somali opponents by the Ethiopian military, in support of the transitional government (TFG), 300,000 out of a population of 1.3 million have been driven out of Mogadishu. He noted that the TFG would collapse immediately if Ethiopian troops pulled out, and that fiefdoms and warlordism, some of it protected by Ethiopia, is on the rise. Meant to be a transitional government, the TFG grouping just wants to hold on to power for themselves.

Some in the Bush-Cheney Administration want to declare that Eritrea, which backs the opposition in Somalia, is a state which sponsors terrorism. Menkhaus said this would only make the situation worse. The fallback position for the Administration, is to let Somalia become ungovernable, "ruled" by militias and warlords. The solution advanced by

Menkhaus, is a large African Union (AU) peacekeeping force, so that the Ethiopian troops can be gotten out. But the Darfur initiative by the AU is taking such a large number of troops, that nothing else is possible in the region.

No Genocide in Darfur, Says Former U.S. Official

Sept. 8 (EIRNS)—A former high-level U.S. official reported in a discussion with LaRouche PAC this week that there is no genocide going on in Darfur, and there may never have been. What is going on, is 15-20 groups fighting each other, some of which are anti-government.

The source reported that the peace agreement between North and South Sudan is in danger. He noted that if the South elects to secede from the country in a scheduled referendum, the central government would go to war, since the oil now being exploited, is primarily in the South.

22 killed and 107 wounded in a suicide attack against Algerian President Bouteflika

Sept. 7 (EIRNS)—President Bouteflika of Algeria barely escaped a murder attempt in the city of Batna, in eastern Algeria, on Thursday, September 6. A suicide bomber present in the crowd blew up his explosive belt in the midst of a crowd waiting for the president, leaving 22 dead and 107 wounded.

In statements to the press, President Bouteflika accused the terrorists of acting on behalf of foreign capitals and foreign leaders, and Interior Minister, Nouredine Yazid Zerhouni, indicated that the comeback of Algeria into the international scene has obviously irritated certain foreign interests.

While the attack has yet to be claimed, it follows a series of escalating terrorist attacks carried out by the so-called al-Qaeda Organization in the Islamic Maghreb, formerly known as GSPC (Algerian Salafist group for predication and combat) before it announced its fusion with al-Qaeda on September 11, 2006. On April 11, 2007, two suicide bombings targeted the government palace in Algiers and the head-quarters of the eastern division of the Police at Bab Ezzouar, leaving 30 dead and more than 200 wounded.

One look into what M. Zerhouni calls Algeria's return into the international scene, reveals that starting in 2006, there has been a strong rapprochement of the Algerian group around Bouteflika, with Russia and Iran, around the idea of creating some form of new Gas OPEC. Relations between Russia and Algeria were considerably upgraded in January 2007, with very large weapons contracts and vast cooperation on hydrocarbons being signed between both countries. Also one should note the fact that following a visit by Venezuelan president Hugo Chavez to Algeria in May 2006, Bouteflika decided to cancel a law just adopted in April that same year, not only privatizing the oil fields, but actually granting concessions to the international oil companies.

The increase of al-Qaeda terrorism coincides precisely with Algeria's moving in this direction, and media such as *Al Watan* suggest a link between these terrorist acts, and the attempts of the Bush/Cheney Administration to maintain their control over the country in order to use the fight against terror in the entire Maghreb region, as a pretext to deploy military bases in those countries. This would occur through establishing bases for the new U.S. Africa Command (AFRICOM), something with the Algerian authorities have refused.

The Bouteflika government has also launched a broad attack against Cheney's group by dismantling Brown, Root and Condor (BRC), a joint company created by a previous government in 1994 between the state oil company, Sonatrach, and KBR (Kellogg Brown & Root), the subsidiary of Cheney's Halliburton, dealing in oil and armament contracts.

Commentators would tend to jump too rapidly to the conclusion there is a power struggle between the U.S. and Russia, over the raw materials of Algeria. However, the anglophile Cheney, whose wife, Lynne, is controlled by British financial interests, does not represent the real interests of the United States, but those of the British empire who is promoting, quite the contrary, a new cold war between Russia and the U.S. Only a close collaboration between the US and Russia could bring peace once again to that region, stated Lyndon LaRouche on September 7.

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