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['The Mask of Nancy Pelosi'](#)  
[The Force of Tragedy](#)  
[by Lyndon H. LaRouche, Jr.](#)

Since the relevant summations by V.I. Vernadsky and Albert Einstein, combined, we now know of the partition of the known universe among four rigorously defined *phase-spaces*: the ordinary (non-biotic), the Biosphere, the Noösphere, and that still higher order of phase-space, which subsumes the Noösphere. The greatest among the challenges with which this present knowledge confronts us, is typified by the subject of Classical tragedy. Here, at the level of Classical tragedy, physical science, Classical artistic composition, and the subject of statecraft, as known to Aeschylus, Plato, Shakespeare, Lessing, and Schiller, are combined as a single subject-matter: a fourth general phase-space of reality, the true substance of the subject of history....

## [\*\*\*In-Depth articles from Vol. 34, No. 44\*\*\*](#)

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## **Feature**

['The Mask of Nancy Pelosi':](#)  
[The Force of Tragedy](#)  
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'On the subject of tragedy: since the U.S. general mid-term election of November 2006, when the U.S. Congress had an estimated 70% popularity with the U.S. population, until now, less than a full year later, the estimated popularity of the Congress has fallen below 11%, a fall largely due to the role of Speaker of the House Nancy Pelosi. For similar causes, the U.S. dollar has also fallen, that at a presently accelerating rate. This threatened ruin of the prospects of the Democratic Party which Mrs. Pelosi's misconduct has done much to produce, has now imperilled the continued existence of the original constitutional form of our republic.'

## **Economics**

[\*\*LaRouche on Dollar Collapse:\*\*](#)  
[\*\*Create a New Bretton Woods, End Post-Industrial Society\*\*](#)

**Lyndon LaRouche** told a Washington, D.C. audience that there is no possibility of recovery from the present monetary crisis, we freeze some of the relative values of currencies internationally, until nations agree to establish a fixed exchange rate system.

[\*\*Steps Taken Toward World Land-Bridge at Arctic Summit\*\*](#)

Russian and other participants at a conference in Anchorage, Alaska, called for mega-projects based on high-technology advanced-science programs

to develop the circumpolar region, for the betterment of mankind.

## **Nuclear Power for Russia's Chukotka**

An interview with **Lev M. Shtilman**.

## **Press Conference:**

## **Progress Is Made on World Rail Project**

## **FDR's Post-War Plan:**

## **'Northward to Asia'**

## **Paulson in India Defends Hedge Funds**

## **The Lessons of 1923**

**Helga Zepp-LaRouche**, chairwoman of the Civil Rights Solidarity Movement (BüSo) in Germany, warns that central banks are hiding their losses, and the losses of the financial speculators, by means of massive injections of liquidity, which parallels the hyperinflationary policy of Weimar Germany's Reichsbank in 1923.

# **International**

## **Will 9/11 and BAE Derail Cheney's Plan To Bomb Iran?**

Some surprising charges by Saudi Arabia's Prince Bandar bin-Sultan, and Prince Faisal are making Dick Cheney nervous, even as domestic U.S. opposition to Cheney's war schemes grows.

## **British Imperial Policy Set To Ignite 'Unstoppable' Kurdish War**

## **Argentina's New President Wins Mandate 'To Do Great Things'**

## **Russia Debates LaRouche and His Proposals for Economic Recovery**

- **Documentation: Smysl magazine interviews LaRouche.**
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# **National**

## **HBPA Solution Raised in Congress:**

## **Both Foreclosure Crisis and Financial Crash Are Worsening**

The home foreclosure wave has become the leading economic policy problem, but the White House, the Fed, and leading members of Congress deny that the foreclosure crisis is tied to the breakdown of the financial system, instead of stopping it by law, as LaRouche proposes with his Homeowners and Bank Protection Act (HBPA).

## **Supreme Court Approved Banning All Foreclosures**

**The British Empire's Sex Toys:  
Second Life and Virtual Worlds**

**Halo 3:  
The Third Wave Destruction of the U.S.**

## The American Patriot

**Rediscovering Mathew Carey:  
'The Olive Branch': How a Book Saved the Nation**

American System economist Mathew Carey wrote this book after the War of 1812, during which Washington, D.C. was sacked by the British, a time when the very existence of the United States was at stake. While appealing for unity by Federalists and DemocraticRepublicans to save the nation, Carey attacked the traitors who sabotaged the resistance to the British, in order to facilitate their own plans to secede from the United States.

**Carey's Challenge to American Patriots**

Excerpts from Mathew Carey's *The Olive Branch*.

## Interviews

**Lev M. Shtilman**

Mr. Shtilman is an advisor on energy policy to Gov. Roman Abramovich of the Chukotka Autonomous Region in eastern Russia.

## Departments

**Banking  
Smashing Nations**

## Editorial

**Don't Give 'Hitler' Cheney a Green Light**

## U.S. Economic/Financial News

### New Biofools Lobby

Nov. 3 (EIRNS)—A new lobbying front for the National Corn Growers Association and the ethanol industry, called Renewable Fuels Now (RFN), is setting up a counter-campaign to halt the erosion of support for ethanol as fuel. When Jean Ziegler, independent expert on the right to food for the U.N., called the use of food for fuel a "crime against

humanity" on Oct. 26, Renewable Fuels Now struck back with press releases claiming: "Three Out of Four Americans Want Increased Renewable Fuel Use," and "New Poll: Americans Blame Higher Oil Prices for Increased Prices in the Grocery Aisle." The National Corn Growers Association even demanded Ziegler's resignation, according to the Nov. 3 *Wall Street Journal*. Now RFN is planning to saturate Washington, D.C. with an ad, targetting Congress as it gets set to debate raising the Renewable Fuels Standard for the coming years. The headline for the new ad is: "How Much Longer Can We Be Held Hostage to Foreign Oil?"

## **Winter Heating Oil Disaster Looms**

Nov. 3 (EIRNS)—A potentially disastrous scenario is developing in the Northeast this Winter, with heating oil supplies dangerously low—down 25% over stocks last Fall, while prices have risen by 24%, to record levels. Retail prices in Massachusetts for heating oil are now above \$2.90, twice what they were in 2000, according to Boston.com. In an attempt to bring down prices and free up supplies, Massachusetts Rep. Ed Markey (D) has called on the Bush Administration to release oil from two oil reserves—the Northeast Home Heating Oil Reserve, and the Strategic Petroleum Reserve (SPR)—"to address the looming home heating oil crisis facing American consumers." Energy Secretary Samuel Bodman has instead chosen to call on the OPEC nations to increase production, ignoring the speculation-driven nature of the price hikes. DOE spokeswoman Megan Barnett countered demands to dip into the SPR, by calling on Congress and the Administration to "increase renewable and alternative fuels and vehicle efficiency standards through the President's Twenty in Ten Initiative." She sees the price gouging as a tool with which to club Americans into embracing biofuels madness.

## **Rangel Takes On the Hedge Funds**

Nov. 2 (EIRNS)—The House Ways and Means Committee, chaired by Rep. Charles B. Rangel (D-N.Y.), approved yesterday, House Resolution 3996, The Temporary Tax Relief Act of 2007, a \$76 billion measure to stave off the growth of the alternative minimum tax (AMT) that applies to anyone making over \$75,000 a year, and has not been adjusted for inflation since its passage in 1969. The AMT would devastate 23 million middle-class wage-earners next year, Rangel maintains. In addition, H.R. 3996 deals with investment funds managers. A press release from the Committee says, "Under the Committee-passed legislation, [fund managers] will no longer receive a lower capital gains rate of 15% for what is essentially a management fee or payment for services. Partners and managers would continue to receive a lower rate of taxation on returns derived from money they have *personally invested*" (emphasis added).

Rangel's press release also notes that the committee reviewed existing tax codes and "found no evidence to conclude that these partners or fund managers should receive preferential treatment for the same services provided by other corporate professionals doing the same jobs." In other words, their fees would be treated as taxable income, a move which produced cries of outrage from the hedge fund lobbies, such as the Private Equity Council, and its water-boy in the House, Rep. Eric Cantor (R-Va.). Cantor attacked Rangel for destroying future jobs with this tax, and the Private Equity Council, created by the Carlyle Group and other private financiers, said they will continue to block the measure from being passed in Congress. This is the beginning of a fight on the updating of the U.S. tax code. A month ago, Rangel unveiled a far broader measure which he called "the mother of all tax reforms," a blueprint to cut and simplify the taxes of the poor and middle class and eliminate the AMT, which was designed in the 1960s to prevent millionaires from using loopholes to avoid all tax liability. The Rangel plan would cut taxes for about 91 million families and provide a tax reduction to virtually every family with an annual income below half a million dollars.

## **'Citi-Corpse' Board in Emergency Meeting**

Nov. 3 (EIRNS)—The Board of Directors of Citigroup, the biggest U.S. bank, will hold an emergency meeting at its headquarters in New York tomorrow. One agenda item will be to accept the resignation of CEO Charles Prince. Other likely business reported by the *Wall Street Journal* and other sources includes:

\* Writing off more billions of worthless securities, on top of the \$3.3 billion in writeoffs Citi has just announced. Deutsche Bank analyst Mike Mayo has said that the big banks will have to write off another \$10 billion immediately, most of it held by Citigroup and Merrill-Lynch.

\* The Securities and Exchange Commission is said to be investigating Citigroup's reporting of its \$80 billion of Structured Investment Vehicle's (SIVs). Meanwhile, Citigroup is expected to file another SEC quarterly report next week.

\* Citigroup is in danger of falling below the minimum capital adequacy allowed for a federally chartered bank, if it has not already done so.

## **Fed Injects \$41 Billion into U.S. Banking System**

Nov. 1 (EIRNS)—The Federal Reserve, through three separate interventions over the course of the day, pumped a combined \$41 billion in Federal funds short-term liquidity into the U.S. banking system today. Of this amount, three-quarters of the Federal funds were issued against the security of housing- and mortgage-related paper, part of the Fed's five-month siege to liquefy the impaired mortgage market. This tactic has achieved no success in its ostensible objective; however, it is setting the ground for Weimar-style hyperinflation. While the Fed injected \$41 billion of funds, the bids by banks for funds from the Federal Reserve totalled \$262.45 billion; the issue was oversubscribed more than six times. To this must be added the \$163 billion that the Federal Home Loan Bank system was compelled to lend, during August and September, to deeply troubled banks. To avoid borrowing from the Federal Reserve, which is done publicly, the banks are pillaging the lending authority of the little-known FHLB (Federal Home Loan Bank). Had the banks borrowed one- to three-month money in the amount of \$163 billion from the Federal Reserve's discount window, as they did from the FHLB, there would have been a public hue and cry.

## **Cerberus/Chrysler Cuts 12,000 Jobs; 30% in One Year**

Nov. 1 (EIRNS)—Cerberus-owned Chrysler Corporation, waiting only days after its unions were compelled to accept a new contract with substantial wage and benefit cuts, announced the elimination of 8,500-10,000 more production jobs, and a total cut of up to 12,000 both blue- and white-collar employees. The company started five plants in Toledo, Ohio; Detroit and Sterling Heights, Michigan; Belvidere, Illinois; and Brampton, Ontario on the road to closure, cutting out a shift at each one. Chrysler closed six plants, eliminating 5,000 production jobs, in 2002-03. Now it has eliminated 11,000 more production employees since February of this year, and announced this additional 8,500-10,000 cut. By early in 2008, the company will have cut 20,000, or approximately 30%, of its entire production workforce in little more than a year. That is the disastrous rate of shrinkage of the auto industry in the United States, the reservoir of the nation's primary capacity for machine-tooling and innovative industrial design. The U.S. auto industry, including car and light truck production and auto parts/supply companies, has already (through September) lost 25% of its employment, 335,000 jobs, since the year 2000, and prior to the job cuts coming now.

Chrysler is slashing its productive capacity with sales continuing to fall; but the mortgage meltdown and financial collapse are hitting all sales. The entire auto industry's sales in the United States are down 2.7% for the first ten months of this year, the third straight year of falling sales, and heading for a yearly sales total below 16 million for the first time since 1995.

## **World Economic News**

### **France: Hyperinflation Takes Pasta Off Store Shelves**

Nov. 3 (EIRNS)—"Pasta Shortages on the Shelves" was the headline of a *Le Figaro* article on Oct. 31. The paper reports that in certain regions of France, several large supermarkets—Leclerc, Intermarche, and Casino—no longer offer ordinary pasta to their customers. "Will pasta become a luxury item?" asks *Le Figaro* "This food product, consumed on average of three times a week by the French, is suffering from the shortage of hard wheat, the essential raw material that goes into its production." Inverting cause and effect, the author says, "As a result, in four months, the price of wheat has nearly tripled, going from 170 euros to close to 500 euros a ton. Enough to provoke a mini-earthquake in this sector." The paper blames bad harvests in the wheat-growing countries, and says, "the situation is not going to get better before the next planned harvest in June."

## **Markets Rattled by Big Banking Losses**

Nov. 1 (EIRNS)—Big losses by Citigroup, Credit-Suisse, Bank of America, and Exxon-Mobil rattled financial markets today, plunging the Dow Jones by more than 260 points at its opening, and closing with a loss of 362 points. Against the backdrop of rising oil prices, Exxon-Mobil's quarterly profits dropped 10% compared to the same period last year, which company officials attributed to higher production and exploration costs. Citigroup reported \$6.5 billion in writedowns and losses for the third quarter, which will force it to cut its dividend, or sell assets in order to raise \$30 billion to shore up its capital. Its shares have been downgraded to the lowest level in four years. Analysts are pointing to Citigroup's exposure to the subprime mortgage crisis as the major reason for its losses. The same is true of Credit-Suisse, whose net income fell by 31% for the third quarter. Its CEO Brady Dougan cited "extreme market conditions" sparked by record U.S. home foreclosures. Peter Horne, an analyst at the London-based Helvea SA, told *Bloomberg* news service "We've been led to expect horrors in investment banking and we weren't disappointed."

## **Brits Throw Bear Stearns CEO Under the Bus**

Nov. 1 (EIRNS)—Rupert Murdoch's *Wall Street Journal* today levelled a page-one blast at Bear Stearns chief executive officer James Cayne, characterizing him as a Nero who fiddled while his company burned. The article portrays Cayne as off playing bridge and golf, and smoking dope, during the Bear Stearns hedge fund crisis in July. The issue here is not Cayne, but rather what appears to be a British power play at a major U.S.-domiciled investment bank. In September, a Bahamas-based British subject named Joe Lewis bought an \$860 million stake in Bear Stearns, making him the investment bank's single largest stockholder. Lewis made his fortune as part of the 1992 Anglo-American bankers' raid on the European exchange rate system, where some say he made even more money than George Soros.

Bear Stearns itself has a sordid history, with deep connections to the casino business, including as the investment bank for Meyer Lansky's Resorts International, which itself grew out of a British Intelligence operation run from the Bahamas. Now we have Rupert Murdoch, the British imperial propaganda specialist, using his recently acquired *Wall Street Journal*, in what appears to be an effort to oust or pressure Cayne. This occurs at the same time that Merrill Lynch head Stan O'Neal has been dumped; heading the committee to select O'Neal's replacement is Merrill Lynch director Alberto Cribiore, an Italian banker who was groomed in the 1970s under the wing of Lazard synarchist André Meyer. The Brits are on the move.

## **Commodities Hit Record Highs; Dollar at Record Lows**

Oct. 31 (EIRNS)—The hyperinflationary bailout of the collapsing world financial system, being directed by the Bank of England, the U.S. Federal Reserve Board, and other banker-run institutions, is producing, as Lyndon LaRouche forecast, a "shock-front" explosion in commodity prices. The UBS/Bloomberg CMCI Index of the prices of 26 commodities, soared to 1,271.7 on Oct. 31, its highest level ever. This commodity index rose by 3.9% during the month of October, following a 7.8% increase during September.

Several commodities are at or near their all-time highs. The price of an oil contract for December delivery, closed at \$94.53 per barrel on the New York Mercantile Exchange (NYMEX), up 55% for the year 2007. The price of wheat closed at \$8.06 per bushel, not far from its record high registered during September, and up 61% for the year. The price of copper, for delivery in three months on the London Metal Exchange, was \$7,760 per metric ton, up 21% for the year. The price of gold closed at \$800.80 per ounce on the NYMEX, the first time it has gone above \$800 since Jan. 21, 1980, and up 21% for the year.

With the hyperinflationary shock front generated by hedge fund speculation, as LaRouche describes it, the primary force in the commodity price spike, a powerful secondary force is the fall in the dollar driven by the world financial collapse. The dollar, as measured against the currencies of 17 leading nations by the U.S. Dollar Index, closed at 76.45 on Oct. 31, a stunning fall of 34.2% since Jan. 1, 2002. The dollar closed at one euro equals \$1.45, its lowest level ever.

## **United States News Digest**

### **Kucinich Resolution To Force Cheney Impeachment Vote**

Nov. 2 (EIRNS)—In a press release issued today, Rep. Dennis Kucinich (D-Ohio) announced that he will be offering a privileged resolution on the House floor, most likely on Nov. 6, that will bring articles of impeachment against Vice President Dick Cheney. "The momentum is building for impeachment. Millions of citizens across the nation are demanding Congress rein in the Vice President's abuse of power." Kucinich's press release reports that the privileged resolution has priority status for consideration on the House floor. Once introduced, the resolution has to be brought to the floor within two legislative days, although the House could act on it immediately. H. Res. 333, Articles of Impeachment against the Vice President, sponsored by Kucinich, has 21 co-sponsors.

### **Schumer, Feinstein Cave In on Mukasey**

Nov. 2 (EIRNS)—Shortly after Senate Judiciary Committee chairman Patrick Leahy (D-Vt.) announced his opposition to the confirmation of Michael B. Mukasey as Attorney General, two Committee Democrats announced their support for the nominee—likely assuring his confirmation. In announcing his decision, Leahy asked: "When the United States cannot declare clearly that waterboarding is torture, that it is illegal, and that it will not be tolerated, what does that mean to other governments, and what comfort does that provide the world's most repressive regimes?... What kind of double standard does America set if we cannot declare waterboarding to be illegal?"

Despite Mukasey's refusal to acknowledge what everyone knows—that waterboarding is torture—Sen. Chuck Schumer (D-N.Y.) announced his support for Mukasey, whose nomination he had sponsored. Schumer said he had received private assurances from Mukasey that if Congress outlawed waterboarding (which is totally unnecessary, since the United States has treated it as a war crime for 100 years), he would not approve it. Sen. Dianne Feinstein (D-Calif.) soon announced her support for Mukasey, on the grounds that he "is not Alberto Gonzales." So far, no Republican has indicated a no vote on the nomination, although Sen. Arlen Specter (R-Pa.) has been critical of Mukasey. Unless this changes, Mukasey's nomination is likely to be voted out of committee by an 11-8 vote; it will then go to the Senate floor, where it only needs 51 votes to be approved.

### **Polls Confirm: U.S. Population Disgusted with Congress**

Nov. 1 (EIRNS)—The results of two recent polls show that over two-thirds of the American public is furious at Congress, especially at the do nothing new Democratic majority.

According to a recent National Public Radio poll conducted by Democratic advisors James Carville and Stan Greenberg, 69% of voters disapprove of the job Congress is doing. This is the highest disapproval rating since the Democrats reclaimed their House and Senate majorities. Greenberg commented, "We have never seen people as angry and frustrated as they are now ... even more than in 1992." According to *USA Today*, a Gallup poll taken Oct. 12-14 showed that 72% of those surveyed said that they were not satisfied with the way things are going in the country. The poll noted that most of those surveyed were very pessimistic about the war in Iraq, and were very anxious about the state of the economy. Nearly one year after the Democrats took control of the Congress, three out of four surveyed felt that Congress had accomplished little or nothing in the past year.

On Oct. 27, the *Sacramento Bee* published a poll that found that, "House Speaker Nancy Pelosi's own party is turning on her, apparently because of a perception among California Democrats that she has not done enough to shake up the status quo in Washington, D.C." The poll showed more people disapproving of her performance, 40%, than approving of it, 35%; with 25% having no opinion of Pelosi at all.

## **Bush Faces Veto Overrides on Amtrak, Water Bills**

Oct. 31 (EIRNS)—Yesterday, the Senate passed the Amtrak reauthorization bill by a veto-proof majority of 70 to 22. The bill authorizes \$1.4 billion to \$1.7 billion a year for the next six years for Amtrak, to be split between operating costs and capital projects. It also includes extensive reforms of Amtrak and establishes an intercity rail policy.

However, the bill did not include a provision in the 2005 bill that would have authorized "rail infrastructure bonds" in the amount of \$1.3 billion a year for ten years to raise money for capital improvements for either state passenger rail projects or capital improvements under Amtrak's five year plan. This year's bill was not even introduced with the bond plan. In 2005, the bill, with the bond provision, passed the Senate Commerce Committee, but was not taken up on the Senate floor. Instead, it was attached, without the bond provision, to an omnibus appropriations bill.

Meanwhile, President Bush vetoed the \$23 billion water Resources Development Act, which provides funding for all types of water infrastructure projects. It passed both the House and the Senate by veto-proof majorities and the veto is expected to be quickly overridden.

## **States Face Loss of Federal Money for Children's Health**

Oct. 31 (EIRNS)—Nine states (Alaska, Maryland, Massachusetts, Maine, Rhode Island, New Jersey, Georgia, Illinois, and Iowa) will run out of money for their children's health insurance program by March of next year. By the end of 2008, according to a Congressional Research Study reported in the Oct. 31 *New York Times*, 12 more states will follow. Child health program officials in California say they are "adopting rules to allow the state to create a waiting list and to remove some of the 1.1 million children already on the rolls," at a rate of 64,000 per month, starting in January.

President Bush told Republican lawmakers, in a closed-door meeting on Oct. 30, that he will not agree to legislation expanding children's health insurance if it includes a tobacco tax increase. According to Associated Press, Bush's renewed threat to veto "has led to a hurried round of negotiations among lawmakers in both parties and both houses," who may be feeling the heat from constituents insisting on Federal support for the health of the nation's children.

## **Giuliani 9/11 Fraud Exposed**

Oct. 29 (EIRNS)—Right-wing supporters of former New York Mayor Rudy Giuliani are livid over revelations that the Republican Presidential contender, whose central campaign theme is his "heroism" on 9/11, actually contributed to the



deaths of hundreds of firefighters and others.

The U.S. Senate has approved \$500,000 in funding to set up the Regenhard Center for Emergency Response Studies at John Jay College in Manhattan. The Center will be a research entity and information clearinghouse for the study of emergency responses to large scale disasters.

*Village Voice* reporter Wayne Barrett revealed on Oct. 23, that Giuliani, in private testimony before the 9/11 Commission which will not be publicly released until after the 2008 elections, failed to prepare New York's firefighters for dealing with acts of terrorism prior to 9/11. Barrett's report also says that, "Twice, Giuliani dodged the commission's questions about the radios used by first responders, one of the key critiques of the city's 9/11 response made by New York and national firefighters' unions. The city's firefighters were stuck with the same analog radios that had malfunctioned in 1993, when the World Trade Center was first attacked."

## Ibero-American News Digest

### Pro-Infrastructure Candidate Wins Bogota Mayoral Elections

BOGOTA, Oct. 29 (EIRNS)—Samuel Moreno Rojas, the candidate for mayor of Colombia's capital, Bogota, around whose campaign the LaRouche Youth Movement (LYM) mobilized support for a World Land-Bridge strategy, won the elections on Oct. 28 by a wide margin: 43.7% vs. his leading opponent's 28%. Moreno provoked the oligarchy's hysteria by refusing to back down from his promise to build a subway for the city, despite the oligarchy's insistence that Colombia "cannot afford" even this minimal form of modern transportation.

The LYM told Bogota's citizens they should not only fight for their right to a subway, but for Colombia to participate in the biggest project of them all: the unification of the Eurasian landmass and the Americas by a railroad running from Siberia to North America through a tunnel under the Bering Strait, down through North and Central America, crossing into South America through the jungle terrain of the Darién Gap which lies on the border between Panama and Colombia.

The Uribe government still insists there is no money for a subway, let alone railroads; since Bogota is the nation's capital, its mayor is viewed as the second most important political post in the country.

### Ecuador's Correa Names Bank of South Negotiator

Nov. 1 (EIRNS)—Ecuador's President Rafael Correa yesterday swore in nationalist economist Pedro Páez, head of the President's Technical Commission for the Bank of the South, as Economic Policy Coordinator. From that new cabinet post, Páez will be responsible for coordinating everything from the Economics Ministry and the Foreign and Trade Ministry, to customs, taxes, social security, and the state development banks.

Páez said that along with his new duties, he will continue working on the design of a new financial architecture internationally. In a dialogue with *EIR*'s Dennis Small on Radio 530AM of Quito, Ecuador Sept. 12, Paez explained that his government understands that a new regional financial architecture is required to protect the nations and production of South America from the whims of the international financial markets. (See EIW #39 InDepth for full exchange.)

### LaRouche Inspires Promoters of Mexico's PLHINO Water Project

SONORA, MEXICO, Oct. 30 (EIRNS)—As organizing intensifies for a Nov. 9 conference in this state on the regional

water management project known as the North West Hydraulic Plan (PLHINO), Sonora's *Diario del Yaqui* published a front-page story Oct. 28, highlighting the importance of the PLHINO, and U.S. economist Lyndon LaRouche's role in organizing for the project.

"Demand for this project has taken on a second wind, and arises once again as the paradigm of a plan without which the country will lose its food self-sufficiency, and the Northwest of Mexico its future," the article states, and then reports who created this "second wind": "Since 2003, the leaders of the Permanent Forum of Rural Producers, Alberto Vizcarra Osuna, Adalberto Rosas López, and Jaime Miranda Peláez, inspired by the economic concepts of Lyndon H. LaRouche, former U.S. Presidential candidate, have intensified their drive for the construction of this great project."

Organizers "drew up a document addressed to Sonora Gov. Eduardo Bours, which proposes that the economic reactivation and reconstruction of the region have as its focus the completion of the PLHINO project," *Diario* reports.

## **Calderón Guts Budget for Electricity Infrastructure**

Nov. 1 (EIRNS)—A leader of the Mexican Electricity Workers Union (SME), Martín Esparza Flores, warned on Oct. 26 that electricity infrastructure in the country's important central region is operating under "emergency conditions" as a result of the Calderón government's refusal to finance the state agency in charge of repairing and replacing obsolete equipment.

Testifying before a Senate committee, Esparza denounced President Felipe Calderón for "perversely" allocating only 1 billion pesos to the state-run Central Power and Electricity (LFC) agency, while setting aside 12 billion pesos to finance the operations of private foreign utilities, which function on the basis of what's profitable, as opposed to how best to meet the population's needs.

"This is a time bomb," Esparza said. LFC needs at least 10 billion pesos to repair or replace 30-year-old equipment, cables, and transformers, as well as to build new substations. Were there to be a sharp drop in voltage, as a result of the infrastructure's grave state of disrepair, he warned, half of Mexico City would be left without power, together with parts of Mexico state and Hidalgo. This would especially affect lower-income areas, as well as the Mexico City subway, and the equipment that pumps lake bed waters from under the capital city. Within ten minutes of a power outage, Esparza stated, the water level in Mexico City would rise by 12 meters.

## **Free Trade Creates Demographic Crisis in Mexico**

Nov. 1 (EIRNS)—Over the six years of the Vicente Fox Presidency (2000-06), 3.2 million Mexicans—half a million annually on average—left the country, according to a new report from the Secretary of Government. This translates into 8% of the economically active population, consisting largely of young men, who head for the United States in search of work.

Thus, the sectors of the population that tend to be most productive—young workers—are leaving in droves. On top of this, Mexico's birth rate is dropping. This situation immediately calls for the programmatic solutions offered by Lyndon LaRouche, such as cross-border infrastructure development projects, to give young Mexicans hope for the future and a reason to stay at home.

## **Indictments of Pinochet Clan Annulled—On Whose Orders?**

Oct. 26 (EIRNS)—The Santiago Appeals Court unanimously voted today to annul the indictments of the widow and five children of the late fascist dictator Augusto Pinochet, along with four retired generals who had worked closely with him.

A total of 23 people, including the family members, were indicted on Oct. 4 by Judge Carlos Cerda, on charges of embezzlement of public funds in relation to the dictator's secret fortune stashed away in accounts in Washington, D.C.'s Riggs Bank.

As the world economy crumbles, the synarchist financial networks that put Pinochet in power in 1973, are flexing their power in Chile. For decades Pinochet was an asset of the British monarchy's BAE weapons cartel, which paid him handsomely—and illegally—for arranging numerous weapons deals.

In stating that none of the family members "had knowledge of or the desire," concerning theft of public funds, the Appeals Court decision flew in the face of mountains of evidence compiled by the U.S. Senate's Select Committee on Intelligence, as well as by dedicated Chilean and European investigators, which document the role of Pinochet's wife, children, and several close aides in a vast criminal enterprise, involving theft of public monies, money-laundering, and weapons and drug trafficking.

### **Chilean Reps Tour France, Russia To Explore Nuclear Option**

Oct. 28 (EIRNS)—Chilean Congressional delegations toured France and Russia this past week, to visit both nations' nuclear plants, and to discuss with both government and energy sector officials how they might cooperate to help resolve Chile's desperate energy crisis.

Pressure on President Michelle Bachelet to consider nuclear energy has been building, particularly since the commission of scientists she mandated to study the feasibility of nuclear power delivered its study to her with a reportedly favorable recommendation. Unfortunately, Bachelet has chosen to keep the report's contents secret.

In Russia, during a four-day tour that concluded Oct. 26, members of the Senate's Mining and Energy Commission met with leaders of the State Duma as well as with the president of the Federal Atomic Energy Agency, Rosatom, and experts from Atomstroyexport, which specializes in building nuclear reactors abroad. After touring the Russian nuclear reactors, they expressed the hope that Russia's state energy companies could contribute their expertise to Chile, not only in the nuclear sector, but also for oil and gas development as well.

### **EC Invites Brazil To Join International Fusion Project**

Nov. 2 (EIRNS)—Visiting Brazil this week, European Commissioner for Science and Research, Janez Potocnik, suggested that Brazil join the seven-member International Thermonuclear Experimental Reactor (ITER) program. ITER, originally proposed by Russian Academician Ye.P. Velikhov in 1985, will be a tokamak fusion reactor, designed to produce net energy, as a critical demonstration for a commercial fusion reactor. "Nuclear fusion is certainly one area where Brazil and the ITER members can cooperate more intensively," a spokesman for the Commissioner said on Oct. 29 from Brussels. Initially, this might take the form of a bilateral agreement with the EU, but Brazil could later join as a full member.

## **Western European News Digest**

### **Mobilization To Defeat New European Treaty**

PARIS, Oct. 31 (EIRNS)—Four French members of the European Parliament announced their support today for a mobilization to defeat the new European constitutional treaty, in a popular referendum. This is a rewarmed version of the European Constitution which was rejected in referenda in both France and The Netherlands, in 2005.

At a meeting in Paris last night, they denounced the proposal as an attack on social and economic rights of workers. A representative of the French Communist Party, who attended the Lisbon meeting, said that nothing was done to curb the policies of the European Central Bank, and also denounced the new treaty as submerging national military policy under the decisions of NATO. It was noted that the European Parliament can oversee extraditions among its 27 member states, but cannot prevent extraditions from the European Union to the United States.

Motivating the mobilization to reject the new treaty, one speaker cited a poll that 54% of the French people supported the recent rail strike, and that over 60% are in favor of holding a popular referendum on the new treaty.

## **Tide Shifting Against German Railroad Privatization**

Nov. 1 (EIRNS)—The German railway workers union Transnet has warned the Christian Democrats not to continue rejecting the "people's bond" proposal of the Social Democratic Party (SPD), otherwise Transnet will stop supporting the government's railway privatization plan altogether, and instead re-join those who insist that railways remain in public hands.

This sudden change of views on the part of Transnet can be understood as a reflex reaction, to join in the shift of sentiments in the nation against privatization. The Social Democrats voted against the government's plan at their national party convention in Hamburg Oct. 30. The SPD, although technically voting in favor of privatization, effectively blocked the government's plan to begin privatization with a sale of 25% to private equity funds or similar private investors. The Transnet shift is yet another big slap in the face to the increasingly unpopular Transport Minister Wolfgang Tiefensee (SPD), who just a week ago reiterated that "when thinking about railway privatization, I rather think of big financial investors than small bond-holders."

## **French Socialist Praises Argentina's Economic Success**

PARIS, Nov. 1 (EIRNS)—Following a visit to Argentina, where she met at length with First Lady Cristina Fernández de Kirchner during the latter's final campaign swing in the Presidential election, French Socialist Party leader Ségolène Royal wrote an enthusiastic letter to the networks in France of her association, Desirs d'Avenir, detailing what she had learned there. Fernández was elected President on Oct. 28. She clearly inspired Royal to say things she has not dared to say here, such as that IMF rule was disastrous, and calling for more regulation of the financial markets.

Most of the "leftist" parties now leading South America know that "while the market is a good servant, it is a bad master," she wrote. These countries are a laboratory of new ideas, which is important because this is not a time of change as such, but of a "change of epoch."

"For me, as for her it is clear: globalization, far from disqualifying the State, calls for new forms of intervention of public power to seize all the opportunities and, at the same time, protect against the risks of a blind financialization acting on its own."

## **Liberal Dems Boycott Saudi Royal Visit Over BAE Scandal**

Oct. 30 (EIRNS)—The first visit of a Saudi monarch to the United Kingdom in 20 years, has been met with a boycott by the leader of the Liberal Democrats, Vince Cable, and by protests outside the London Saudi embassy over the BAE-Saudi "Al-Yamamah" arms deal and the Saudi human rights record. The visit occurs about ten months after the Serious Fraud Office was forced by Tony Blair's government to drop—on "national security grounds"—an investigation into corruption

tied to BAE arms sales to Saudi Arabia during 1985-2007. At the time, Blair claimed that if the probe went ahead, cooperation between the two countries on counterterrorism would cease.

Foreign Minister David Miliband cancelled his meeting with the Saudi Foreign Minister Prince Faisal, on the grounds that his newly adopted infant son had just arrived.

As Lyndon LaRouche and *EIR* have documented, the Al-Yamamah deal was not a simple case of bribes paid to Prince Bandar, the Saudi ambassador to the U.S., but rather involves the creation of a gigantic pool of funds, for special operations in behalf of the British Empire.

## **Increasing Warnings of European Real Estate Blowout**

Nov. 2 (EIRNS)—French President Nicolas Sarkozy and Finance Minister Christine Lagarde huddled at the Elysée Palace on Oct. 29 with major banks and insurance companies, on the crisis over subprime mortgages. According to *Le Figaro* Oct. 30, Serge Maître, the secretary general of the French Association of Bank Users (AFUB), figures that 35-50,000 French holders of home loans are already in trouble.

Twice in the past weeks, major French dailies have rung the alarm over the subprime mortgage crisis. After *Le Figaro* covered the "bad surprise" hitting moderate-income households, the Oct. 27 issue of *Libération* ran a three-page exposé on the French subprime mortgage crisis, beginning on the front page.

On Oct. 31, under banner headlines, the Danish daily *Jyllands Posten* reported that hundreds of Danish real estate properties are over-mortgaged to such an extent that several housing experts fear a collapse like that in America. Especially threatened are rental properties.

## **LaRouche-Linked Candidate Again Featured in Danish Daily**

COPENHAGEN, Oct. 31 (EIRNS)—"Running for office based on maglev and financial crash: Tom Gillesberg from the Schiller Institute, an international political organization, is one of the independent candidates who is trying his luck." So reads the headline of yet another article about the campaigns of Institute chairman Gillesberg and three other Institute activists, in Denmark's largest newspaper, *Jyllands-Posten*.

The coverage, which reports the Schiller Institute's forecast of a global financial crash, appears in an issue featuring alarm about a real estate crash hitting Denmark.

## **Italy: Indebtedness Up; Food Consumption Down**

Oct. 31 (EIRNS)—Consumer credit rose 17.5% in the first six months of 2007 in Italy, according to figures provided by the Italian Banking Association.

Household debt is, nevertheless, still the lowest in Europe (5.8% of GNP, compared to 16.5% in Britain, 9.9% in Germany, 9.4% Spain, and 7.5% in France).

But food consumption fell 10% over five years (2001-06), according to Ismea research institute.

## **Baltic Republics Reaffirm Joint Nuclear Plant Project**

Nov. 1 (EIRNS)—Two days ago, leaders of three Baltic countries meeting in Vilnius, Lithuania, reaffirmed their commitment to a joint project for a new nuclear power station to replace a Soviet-era one in Ignalina, Lithuania, near that site.

In February 2006, Lithuania, Estonia, and Latvia decided to build a new power plant at the Ignalina site, and days later, Lithuanian President Valdas Adamkus reached agreement with Poland to welcome the latter to participate in the joint project, to which Latvian President Valdis Zatlers and Estonian President Toomas Hendrik Ilves have now also agreed. Construction of the new nuclear power plant is expected to be completed no earlier than 2012, but the final deal is pending, until remaining differences among the four countries can be resolved.

## **Was Sarkozy Trained by the U.S. State Department?**

Nov. 1 (EIRNS)—Voltairenet.org, an influential website, commented on the statement made by Karen Hughes, U.S. Undersecretary of State for Public Diplomacy and Public Affairs. Hughes stated on Oct. 25 that "More than 130 participants [in our programs since 1945] have become leaders of their countries, including the current prime minister of Great Britain [Gordon Brown], the President of France [Nicolas Sarkozy], and the President of Turkey [Abdullah Gul]."

"While the biography of Gordon Brown is well-known," adds Voltairenet.org, "it is the first time a U.S. official has admitted that Mr. Sarkozy and Mr. Gul had been trained by the State Department, a fact that those concerned have always tried to hide."

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

### **Litvinenko Was MI6 Agent, Says British Paper**

Nov. 1 (EIRNS)—Former Russian KGB agent Alexander Litvinenko, who was killed by radiation-poisoning last year in London, was a paid agent of Britain's MI6 intelligence agency, the *Daily Mail* of London charged Oct. 27-28. The same charge was made earlier by Russian officials.

As reported by the *Christian Science Monitor* today, the *Daily Mail*, citing anonymous intelligence and diplomatic sources, said that Litvinenko was receiving a monthly retainer of \$4,000 from British intelligence. "It is understood that Sir John Scarlett, now the head of MI6 and once based in Moscow, was involved in recruiting him to the Secret Intelligence Service," the *Daily Mail* said.

In May, Andrei Lugovoy, whom the British have charged with murdering Litvinenko, said that the latter had told him that he had been recruited by the British secret services. "I cannot get away from the thought that Litvinenko was an agent who had gone out of control and they [MI6] got rid of him," Lugovoy said at that time. Lugovoy has now declared himself vindicated. "I hope the British public will demand, after this publication in their newspaper, that their secret services shed light on the situation surrounding Litvinenko's death," Lugovoy told Itar-Tass. Lugovoy's lawyer added: "The new information confirms what Lugovoy has been saying."

### **Primakov Writes on Kurdistan Scheme**

Oct. 29 (EIRNS)—Former Russian Prime Minister and top expert on Southwest Asia Yevgeni Primakov has warned against the new drive to create an independent state of "Kurdistan," with its core being the Kurdish area of Turkey. Primakov, an advisor to Russian President Vladimir Putin, in a commentary in *Moscow News* Oct. 25, reported that,

according to the Turkish daily *Yeni Safak*, the Turks have conducted cross-border raids already, including the use of helicopters and F-16 jets and artillery.

In his analytical piece, Primakov pointed to a potential Kurdish breakaway from Iraq to form a state including chunks of Turkey, Syria, and Iran. "Iraq's territorial integrity has been put on the line—now—not in some distant future.... It is well known that the Iraqi Kurds have for many decades been fighting for national self-determination. But prior to the U.S. intervention, the prevailing formula was: strengthening Kurdish autonomy as part of Iraq. Now the situation is changing in favor of an independent Kurdish state that could comprise not only Iraqi Kurds, but also Kurds from Turkey, Iran, and Syria. According to various estimates, there are between 20 million and 30 million Kurds in these four countries. So, for all the importance of preserving Iraq's territorial integrity, should the aspiration of millions of Kurds to create their own state be endorsed?"

Without answering that question, Primakov called the development "perplexing." His evaluation corroborates Lyndon LaRouche's statements that Turkey and other countries in the region are under attack as the British, and their chief U.S. tool, Vice President Dick Cheney, implement a 21st-Century version of the Sykes-Picot agreement, based on which, the British and French carved up the Ottoman Empire after World War I.

## **Russia, U.S.A. Call for Intermediate-Range Missile Ban**

Oct. 28 (EIRNS)—The United States and Russia have issued a joint declaration urging all countries to destroy intermediate range nuclear missiles. Russia has been pressing the United States to rewrite the Intermediate Range Nuclear Forces (INF) Treaty to include countries other than those of the former Soviet Union and the United States; otherwise, the Putin government has said, it will withdraw from the INF, since it will be the only nation in all Eurasia which is observing it. The new agreement apparently meets this key demand.

The declaration was released Oct. 25 in New York and published by both the U.S. State Department and the Russian Foreign Ministry. The short text notes that Dec. 8, 2007, will be the 20th anniversary of the treaty between the Soviet Union and United States, which banned ground-launched ballistic and cruise missiles with ranges between 500 and 5,500 kilometers. By late May 1991, the USSR and the United States had destroyed all missiles of these two classes along with all supporting infrastructure, under strict verification procedures, the declaration says.

## **Terror Bombing in Volga City**

Oct. 31 (EIRNS)—An explosion, believed to have been caused by a bomb of up to 2 kg (4.4 lbs) of explosives, ripped through a bus, in the Russian city of Togliatti, local police sources said, according to Associated Press. "We have reached the conclusion that this was an act of terrorism," the Samara region governor Vladimir Artyakov said in comments broadcast by Russia's Vesti-24 news channel. "We are clarifying what type of explosive device was used and we are also clarifying the possibility that there could be more victims."

"Eight people are dead, fifty are injured, with ten rescue groups involved. The first arrived within five minutes of the explosion and more soon after," said Vladimir Markhin, the Togliatti representative of the Russian investigation committee. "There is reason to believe that the explosive was planted either underneath or on the floor of the bus," the police source was quoted as saying.

President Vladimir Putin phoned his envoy to the Volga region, and ordered that "every possible measure to give medical assistance to those injured and to help the families of those killed," should be provided, Interfax said.

## Russian Minister Follows Putin to Iran

Oct. 31 (EIRNS)—During a one-day visit to Tehran, Russian Foreign Minister Sergei Lavrov held talks with President Mahmoud Ahmadinejad and his counterpart Manuchehr Mottaki, and blasted the United States. He was quoted by Interfax as saying that the unilateral sanctions which the U.S. recently declared, "are not helpful for the continuation of collective efforts" to solve the conflict.

As for his advice to Iran, Lavrov said he had told Ahmadinejad to engage in "further and, preferably, more active work with the IAEA to clarify questions concerning Iran's nuclear program." He said, "We underlined the importance of resolving these questions in order to restore trust in the exclusively peaceful character of Iran's activities in the sphere of nuclear energy," AFP reported. Lavrov also delivered a message from President Putin, who visited Iran two weeks earlier.

Ahmadinejad, speaking to press after Lavrov had left, said the talks represented a continuation of the exchange of views he had had with Putin, and promised continued cooperation with the IAEA. As reported by IRNA, he told Lavrov, "Iran will continue its peaceful nuclear activities within the framework of international rules and under the supervision of the International Atomic Energy Agency." At the same time, the IAEA and Iran started their third day of talks in the capital, focussed on the centrifuge issue.

## Pressure Growing for a Putin Third Term

Oct. 27 (EIRNS)—Despite Russian President Vladimir Putin's repeated declarations that he will not be a candidate for a third term, momentum is growing for exactly that, reports today's *Financial Times*. Sergei Mironov, the Speaker of Russia's Federation Council, the upper house of parliament, said that the issue of a third term for Putin has "not been taken off the agenda," despite the constitutional two-term limitation. "In my view, Mr. Putin legitimately remaining in his post would be a blessing for Russia," Mironov said. Mironov also noted that there are rallies taking place throughout the country, calling on Putin to serve a third term, including in the Chechen capital of Grozny, where 20,000 turned out, and in two smaller Chechen cities. According to the *Kommersant* newspaper, 10,000 rallied in Tver, northwest of Moscow, and other rallies took place in Volgograd and Petrapavlosk-Kamchatsky in the Far East.

## Southwest Asia News Digest

### Palestine Negotiator: Annapolis Conference Failure Will Lead to War

Oct. 29 (EIRNS)—Palestinian National Authority negotiator Ahmed Qureia, the former speaker of the Palestinian Assembly, addressing an event organized by the Israeli Meretz party, warned that the so-called Middle East peace conference being organized by the Bush Administration to be held next month at Annapolis, Md., could lead to a new war in the region.

"If the summit fails, frustration will win out over everything else and it will have a negative effect on the region," Qureia is quoted as saying in the Oct. 29 *Ha'aretz*. "I cannot predict exactly what will happen, but it may lead to more wars. I warn you against failure there, which will open the door for extremists and extremism—and that door will be very difficult to close."

He said that the conference must come up with a clear timetable for resolving the key issues between Israel and the Palestinians, something Israeli Prime Minister Ehud Olmert refuses to accept. Qureia also called for the evacuation of Israeli settlements. "But we need support from Israel, not with kisses, but with the evacuation of settlements."



## **West Bank Hamas Leaders and President Abbas Meet**

Nov. 2 (EIRNS)—Palestinian Authority President Mahmoud Abbas met with four West Bank Hamas leaders at the Muqata compound in Ramallah, following Friday prayers today, according to the Palestinian news agency WAFA. It is the first time that Abbas has met anyone from the leadership of Hamas since the collapse of the National Unity Government in June 2007, following allegations that Fatah faction leaders were plotting the assassinations of Hamas officials, which led to a Hamas move to oust all Fatah security and political officials from Gaza. The bitter split led Abbas—under Bush Administration and Israeli government pressure—to declare a new government, which dissolved the elected government of Hamas Prime Minister Ismail Haniyeh.

According to the *New York Times*, President Abbas today "hosted a group including Nasser el-din al-Shaer, former Deputy Prime Minister in the first Hamas government; Ahmed Abu Ruman; Hussein Abu Qweik; and Ayman Daraghmeh. They first attended prayers in a mosque in Mr. Abbas's compound, then met in his office."

The Palestinian Media Centre, affiliated with the PLO, which Abbas heads, reported on Nov. 1 that al-Shaer has criticized the Hamas leadership in Gaza. "As for the current division," reports the PMC, "al-Sha'er called on the factions to review their stances and look for reasonable solutions to reunite the Palestinians and overcome the crisis."

Last week, at the annual conference of the National Council on U.S.-Arab Relations, political analyst Mark Perry, a co-director of the Conflicts Forum, called for the United States to stop its useless boycott of the popularly supported Hamas, and to immediately invite the organization—which won the majority in the 2006 Palestinian elections—to participate in the Middle East peace conference that Bush called for. Unless Hamas is included, warned Perry, the Bush meeting in Annapolis is doomed to "oblivion." Perry compared the Bush Administration's stubborn insistence that Hamas has no support, to the 20 years of U.S. relations that recognized Taiwan as the "real China."

## **U.S. Foreign Service Revolt Over Assignments to Iraq**

Nov. 1 (EIRNS)—Days after Secretary of State Condoleezza Rice announced that her department would be making mandatory assignments of career Foreign Service personnel to staff the embassy in Baghdad, or to serve on reconstruction teams in some of Iraq's most volatile provinces, resistance to that policy broke out at an hour-long "town hall" event on Oct. 31 at the State Department. A department spokesman was quoted by the *New York Times*, saying that "very strongly held views" were expressed. One Foreign Service officer, who once worked as a political advisor with NATO forces, AP reported, characterized such assignments as a "potential death sentence." Rice's Iraq deputy David Satterfield maintained that large numbers of State Department personnel have signed up for duty at such posts, but the *Times* points out that the new order indicates a fundamental problem: Many of those who have signed up are entry-level employees, not experienced diplomats.

## **No New Iran Sanctions: Washington Blames China**

Nov. 3 (EIRNS)—A London meeting of officials of the five permanent members of the UN Security Council, plus Germany, failed to agree with Washington on a new round of sanctions against Iran. According to the *Financial Times*, U.S. Undersecretary of State Nicholas Burns came out of the Nov. 2 meeting blaming China. "We are disappointed by the lack of cooperation by China on a third Security Council resolution. We don't think that China is moving with us," Burns said. He said the U.S. believes China has increased trade with Iran over the last six months, and is putting economic interests over solving the crisis. He said China is "sending the wrong signal" to Tehran.

There will be another meeting of the group after Nov. 19, when IAEA chief Mohammed ElBaradei and EU foreign policy chief Javier Solana deliver new reports on the state of Iran's nuclear program.

## **Hagel Urges Bush To Open Direct, Unconditional Talks With Iran**

Nov. 1 (EIRNS)—In a private letter to the President, Sen. Chuck Hagel (R-Neb.) urged Bush to pursue "direct, unconditional and comprehensive talks with the Government of Iran." The letter was originally sent on Oct. 17, but was recently obtained by *The Washington Note* and posted on its website.

Hagel warns in his letter that the Administration's diplomatic strategy is stalled, and "unless there is a strategic shift away from the current situation, I believe we will find ourselves in a dangerous and increasingly isolated position in the coming months," adding that he doesn't see how the actions now being taken will produce the desired results.

Encouraging President Bush to offer a completely different course for U.S.-Iran relations, of direct and unconditional talks, Hagel says: "An approach such as this would strengthen our ability across the board to deal with Iran.... It could create a historic new dynamic in US-Iran relations, in part forcing the Iranians to react to the possibility of better relations with the West. We should be prepared that any dialogue process with Iran will take time, and we should continue all efforts, as you have, to engage Iran from a position of strength."

"We should not wait to consider the option of bilateral talks until all other diplomatic options are exhausted," Hagel warns the President. "At that point, it could well be too late."

Steve Clemons of *The Washington Note* says that he has also learned that the Hagel letter made its way to Adm. William Fallon, the head of the U.S. Central Command, and that Fallon has let Hagel know that he concurs with the importance of considering the options which Hagel has presented.

## **Russia Will Not Join a New 'Holy Alliance' Against Iran**

Oct. 31 (EIRNS)—The Ministry of Foreign Affairs in Moscow issued a statement on Oct. 31 saying that Russia will not join a U.S.-led "Holy Alliance" to destroy the current regime in Iran. Instead, spokesman Mikhael Kamynin said, Russia holds firm to the belief that the nuclear disagreements with that Southwest Asian country must be tackled collectively and exclusively through persuasion in diplomatic talks.

## **Gulf States Propose Joint Uranium Enrichment With Iran**

Nov. 1 (EIRNS)—Times Online (UK) reports a proposal by Saudi Arabian Foreign Minister Prince Saud al-Faisal at the conclusion of King Abdullah's state visit to Britain, to defuse the conflict over the Iranian nuclear program: Saudi Arabia and a consortium of Arab Gulf states have invited Iran to enrich uranium jointly, under international inspection, in a neutral country such as Switzerland. The consortium, the foreign minister said, would be for all users of enriched uranium, and would distribute the nuclear fuel according to need. No further details are available at this time.

## **British To Deploy Fleet During Possible Attack on Iran**

Nov. 2 (EIRNS)—The British Navy announced it will deploy its Illustrious aircraft carrier to the Persian Gulf along with a Type 42 destroyer and a Type 23 frigate next Spring. Two minesweepers and three support vessels will be included in the deployment, under the name of "Operation Orion 08." They will cruise for six months in the Gulf, the Indian Ocean, and the Red Sea. The *Daily Telegraph* in its coverage, reports, "Their presence may coincide with a crucial period in the West's confrontation with Iran," adding, "Observers believe that the spring is the last possible moment" for a strike against Iran by the Bush Administration.

# Asia News Digest

## Musharraf Defies Washington, Declares Emergency

Nov. 3 (EIRNS)—Despite a last-minute telephone appeal by U.S. Secretary of State Condoleezza Rice, Pakistan's President Pervez Musharraf declared a state of emergency today. He thereby prevented a crucial Supreme Court decision on whether to overturn his recent Presidential election win, amid rising militant violence.

"The chief of army staff has proclaimed a state of emergency and issued a provisional constitutional order," a newscaster said on the state-run TV channel.

Supreme Court Chief Justice Iftikhar Chaudhry and eight other judges refused to endorse the provisional constitutional order issued by the President. Paramilitary troops and police surrounded the Supreme Court in Islamabad, an AFP reporter said. A leading Pakistani lawyer and opposition figure, Aitzaz Ahsan, said he had been detained after Musharraf invoked emergency powers.

The government blocked transmissions of private news channels in the capital, Islamabad, and other cities. Shahzad Iqbal, an official at a cable TV news provider in Islamabad, said authorities were blocking transmissions of private news channels in Islamabad and in the garrison city of Rawalpindi. Residents of Karachi said their cable TV was off the air.

Meanwhile, former Prime Minister Benazir Bhutto, who went to Dubai on Nov. 1 for personal reasons, boarded a flight back to Pakistan, and is reported to be at Karachi airport. According to her spokesman, she was already in the plane when the emergency was declared. There are reports that she will not be allowed to disembark in Pakistan.

The immediate fallout of the Musharraf's move is the cancellation of the January general elections. That would create serious problems with Washington, since it was the Bush Administration which pushed for the elections, and pushed for Benazir Bhutto's return to Pakistan to share power with the military.

For Musharraf, it was a calculated risk. But Musharraf knows that Washington has to depend on the Pakistani army in order to stay in Afghanistan. Musharraf and the Pakistani army also believe that they cannot afford to share power with the politicians, with the security situation as dangerous as it is today.

## Another Suicide Bomber Targeted Musharraf

Oct. 30 (EIRNS)—Despite intense security measures undertaken to protect Pakistan's President Pervez Musharraf, a suicide bomber apparently slipped into Pakistan's garrison town, Rawalpindi, and blew himself up close to the President's office and the senior army officials' residence. Musharraf was believed to have been in the office at the time of the attack, but was not injured. Private television channels said the attack occurred as Musharraf was meeting with top officials to discuss the security situation, following a spate of recent attacks.

"It was a suicide attack. The area is sensitive—we don't know what the exact target was. Seven people were killed," Railways Minister Sheikh Rashid told AFP.

Former Prime Minister Benazir Bhutto, herself a target of a massive bomb attack in Karachi on the night of Oct. 18, said she would address a public meeting in Rawalpindi next month. "I will go to Rawalpindi despite the bomb blast that

occurred there today and will hold a public meeting on Nov. 9, as per the party's decision," Bhutto told reporters on Oct. 30.

## **Pakistan Crisis May Slow the Get-Iran Crowd**

Nov. 2 (EIRNS)—Although the Iran crisis was discussed during U.S. CENTCOM commander Adm. William J. Fallon's meeting with Pakistani President Pervez Musharraf on Nov. 1 in Islamabad, it is evident that the rapidity with which Pakistan's and Afghanistan's security situation has deteriorated during the last couple of weeks, that the crisis has forced Pentagon to focus on Pakistan, and veer away from Iran, at least momentarily. That became somewhat clearer when U.S. Secretary of Defense Robert Gates pointed out on Nov. 1 that the U.S. military has noticed a decline in Iran-linked bombs in Iraq.

The rapid deterioration of Pakistan's security situation on its border with Afghanistan forced Fallon to come to Islamabad. It is likely that the U.S. troops, with the full cooperation of President Musharraf, will make a sweep through Pakistan's tribal areas and the North West Frontier Province (NWFP) with the intent to secure the area by eliminating the anti-U.S. and anti-Musharraf militants. Pakistani media reported that in the past three days, Musharraf has held several high-level meetings that included all four provincial chief ministers. The discussions centered on the issue of extraordinary powers. It is likely that Fallon will give the nod to Musharraf to impose emergency rule, in light of the precarious security situation.

## **U.S. Ambassador Woos Indian Opposition to Nuke Deal**

Oct. 30 (EIRNS)—During the Cold War days, whenever the U.S. ambassador in Delhi was meeting an opposition figure, it was taken for granted that Washington was pushing something not desired by New Delhi. How things have changed since! Now, Washington has deployed the U.S. ambassador to India, David Mulford, a banker, at the behest of India's Manmohan Singh-led government, to woo the opposition that is trying to stall the U.S.-India nuclear deal, endorsed both by Washington and New Delhi.

Almost simultaneous with a call from U.S. Secretary of State Condoleezza Rice to the Indian External Affairs Minister Pranab Mukherjee, demanding that India tie up its end of the deal before January 2008, Mulford met with leaders of the principal opposition group, Bharatiya Janata Party (BJP), to explain the importance of the deal in the context of U.S.-India relations. Although BJP president Rajnath Singh told Mulford that "it would not be possible for the Bharatiya Janata Party to accept the 123 agreement on the India-United States nuclear deal in its present form," on the very same day, former U.S. Secretary of State Henry Kissinger met with the BJP's top political leader, L.K. Advani, at the latter's residence.

Also active in the fray is U.S. Secretary of the Treasury Henry Paulson, who is visiting India. He had promised the media that he would not talk about the nuclear deal during the trip. And, yet, on Oct. 29, Paulson was in Kolkata (Calcutta), the bastion of India's Communists, who happen to be the most vocal opponents of the deal, explaining to them the "finer points of benefits" that the deal would usher in.

## **Chinese Party Congress Lays Out Program for Hu's 'New Deal'**

Nov. 1 (EIRNS)—In discussions with a Chinese scholar working at a U.S. think tank, *EIR* noted that the latest Communist Party Congress had indicated something of a "Rooseveltian thrust." The political report of President and party leader Hu Jintao, the real basis of the Congress's discussion, was focused less on simply talking about maintaining high rates of growth, and more on improving the standards of living of the population—for instance, the need for medical insurance, public education for the broad masses in the countryside, affordable housing, a social safety net, and dealing with the very real environmental problems that "hothouse" development has brought with it. Hu encapsulated this in the slogan of a "scientific view of economic development."

While these issues are not new for the period in which Hu has been general secretary of the party, they have been made the prime focus of the Congress, and the party constitution has been amended to reflect these issues. The scholar agreed. "People have started to call it Hu's 'New Deal,'" he said. While the debate reflected the influence of the party's left, which complained that the rapid economic growth was at the cost of the great mass of the people, and the right, which wanted less state control over economic decisions, the party leadership had found a middle position. The scholar also noted that among the Hong Kong analysts, there was much "chatter" about how the party leadership was reading the Roosevelt biography, a rumor which he thought might well have some substance to it. "The Party is talking about the 'three mountains' that have to be overcome," he said. "These mountains are education, housing, and medical care."

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