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## Message to Readers:

***EIR InDepth* will not be published this week, in honor of the Christmas holiday. We take this opportunity to wish you all a very happy Holiday Season and a wonderful New Year.**

## U.S. Economic/Financial News

### Financial Blowout Item of the Day: Option ARMs

Dec. 22 (EIRNS)—That the Bush plan to aid subprime borrowers, pushed by Treasury Secretary Henry Paulson and the banks, is a bandaid on a hemorrhage, is daily made more clear, as exemplified by a Dec. 22 *Wall Street Journal* analysis of another segment of the residential mortgage industry which is set to hemorrhage beginning in 2008: option adjustable rate mortgages (option ARMs). Option ARMs are loans that let the borrower initially choose the amount to pay back each month, then reset to higher rates at a later time. Initial rates are often as low as 1%.

According to Erica Sandberg of the Consumer Credit Counseling Service of San Francisco, half the people who call the service about their option ARM loans were planning on refinancing the loans before payments became onerous. The other half did not understand what they were getting into. A lot of the borrowers, unable to pay more, were paying minimal amounts each month as the interest mounted.

Those who have attempted to refinance in recent months have found that the stifling credit crunch in the financial sector, and tighter lending rules since the subprime blowout earlier this year, have made refinancing almost impossible. Hefty pre-payment penalties have also made it expensive, with the end result that many with option ARMs are holding on by their teeth as interest piles up and swells the loan to larger than their home's value at present deflating prices—a sure recipe for foreclosures to follow. Merrill Lynch estimates over \$100 billion in losses for option ARMs in 2008, as rates begin to reset at the same time that housing values are plummeting.

Many of these borrowers will not be eligible for help under the very narrow rules of the Bush band-aid plan for aiding subprime borrowers—their credit is too good!

### Schwarzenegger To Declare Budget Emergency, Massive Cuts

Dec. 22 (EIRNS)—Gov. Arnold Schwarzenegger dumped a huge lump of coal into the Christmas stockings of Californians yesterday, when he announced that he would declare a "fiscal emergency" on Jan. 10, and that his administration is preparing "deep cuts" in the state budget. The crisis has forced Schwarzenegger to drop his usual optimistic persona, as he told reporters that the situation is "very bleak." With the estimated budget deficit now at \$14.5 billion for fiscal year 2008-09, and a shortfall for the remainder of 2007-08 now at over \$3.3 billion, department heads of all state agencies are putting together a plan which starts with at least 10% across-the-board cuts.

Those areas bracing for the worst cuts include education, health care, social services, and the penal system. Leaks have been made to prepare people for these cuts, with a figure being floated of \$1.4 billion taken out of the education budget, and a proposal to release 22,000 nonviolent prisoners with less than 20 months remaining to their sentence, drawing fire from Republicans.

The dramatic collapse in revenue has hit as the once-powerful agricultural-industrial economy of California has been dismantled, with hundreds of thousand of jobs lost in manufacturing in the last 20 years, replaced by low-wage jobs in services, tourism, and entertainment. With legislators caught up in the phony debate of more cuts versus more taxes, there is little prospect for a solution emerging, unless the courage is found to break the control, by George Shultz and Felix Rohatyn, over the political debate.

## **Foreclosure Crisis Exacerbates Hunger and Homelessness**

Dec. 17 (EIRNS)—A report released this morning by the U.S. Conference of Mayors, found that the major causes of hunger in American cities are poverty, unemployment, and high housing costs.

"The hunger crisis is exacerbated by the recent spike in foreclosures, the increased cost of living in general and increased cost of food," the report states. Sixteen of the 23 cities responding to the mayors' survey reported that requests for emergency food assistance increased during the past year while availability of food assistance is declining. Los Angeles, for example, reported that the 500 food pantries served by its Regional Foodbank need an additional 9.8 million pounds of food annually to meet the current needs, and soup kitchens and shelter programs need an extra 1 million pounds. The shortage of available food means that the city is unable to meet 21% of the demand for food assistance.

Lack of affordable housing is listed as the primary cause of homelessness among families, and ten cities in the mayors' survey responded specifically citing an increase in homelessness among families with children, compared to 2006. Detroit, St. Paul, and Boston reported increases of 15%, 14%, and 13%, respectively. Twelve of the 23 cities reported having to turn people away because of lack of resources, and 15 of the cities predict that requests for emergency shelter will increase in 2008, while all cities expect increases in requests from families with children, and cite the foreclosure crisis as well as other economic factors as the reasons.

## **Greenspan's Wall of Money Scheme Charges a Deathly Toll**

Dec. 17 (EIRNS)—On Dec. 14, for the first time ever, wheat rose as much as 30 cents, or 3.1%, to a price above \$10 a bushel. This was double its price from a year ago. The same week, rice also jumped to a record price, as did soybeans and corn. Like wheat, soybeans have also almost doubled in price this year, and, at almost \$12 per bushel, are now at the highest price in 34 years. The story of corn, which has been well-told by *EIR*, began its price climb toward the end of last year, with the onslaught of the ethanol craze.

According to *Bloomberg* today, as a result of this, processed cereals producers Kellogg and General Mills have already raised prices, while baked goods producer Sara Lee Corp. said it will increase bread prices for the second time in three months. *Bloomberg* also reports that Japan's biggest maker of soy sauce, Kikkoman Corp., is planning its first price increase in 18 years.

Headlines are filled with justifications, from reduction of land under cultivation to drought in various places around the world. While some of these may be true—those related to a lack of investment in water management infrastructure, for example—one commodities trader got closer to the truth when he noted that "interest rates have been too low for too long," indicating that the "disaster" was more man-made than natural. This trader, who spoke with *Bloomberg*, targetted former Federal Reserve chairman Alan Greenspan by name, saying that he "kept interest rates way too low," and started something

that can't be stopped. "Inflation is starting to take over," he said, "and really, we haven't seen anything yet."

## Global Economic News

### Biggest Bank Bailout Yet, Protects Nothing

Dec. 19 (EIRNS)—The European Central Bank, Federal Reserve, Bank of England \$548-billion-in-one-day bailout of European and British banks on Dec. 18, may have the financial world agog. But it's "ineffective, useless, amateur hour," said a New York Republican Party economist on Dec. 18, in a discussion with *EIR*. What has to be written off is not 10%, but 80-90% of the "value" of the trillions in these banks' securities assets.

Citibank is at the head of a parade of big banks at the point of insolvency right now, as these writeoffs are gradually forced upon it. In this situation, the economist said, lending to these banks, however many hundreds of billions in short-term loans—piling up their liabilities, against bad assets—will produce no result except hyperinflation.

The action of protecting chartered banks from the current financial crash—LaRouche's "firewall" against bank insolvency—is diametrically opposite to the policy of central banks' printing any huge volume of bailout loans to try to "liquify" the trillions in toxic securities these banks hold as assets, the economist said. This firewall idea must be grasped by members of Congress, who are now paralyzed in the face of the crash.

### Northern Rock's Bailout Can't Save a Sinking Ship

Dec. 19 (EIRNS)—The Bank of England's bailout of the failed Northern Rock bank could cost every taxpayer 1,800 pounds (over \$3,600), according to the British newspaper the *Guardian* on Dec. 18. The total cost of 57 billion pounds is as much as Great Britain's entire annual education budget—just for one failed bank. That illustrates the criminal idiocy of the "wall of money" policy being followed by the world's central bankers, including the U.S. Federal Reserve, in face of a global economic collapse in which all leading banks are bankrupt.

Such policies can only lead to hyperinflation of the sort experienced in 1923 Weimar Germany. The only solution is to put in effect a firewall as proposed by LaRouche's Homeowners and Bank Protection Act. LaRouche calls for the government to put a moratorium on foreclosures so that people can stay in their homes, and guarantee that the chartered banks stay in operation, while the long-term process of sorting out the rotten debts is carried out.

Instead of attempting to bail out the trillions in bad debts at taxpayer expense, the worthless paper must be written off as part of the process of reorganizing the monetary system on a sound basis, in which new, government-backed credit is issued for the financing of productive investments in real wealth-producing physical economic infrastructure.

Britain's Northern Rock bailout was denounced by Liberal Party shadow chancellor Vincent Cable, though without a proposed solution. Said Cable: "It is outrageous that the taxpayer should now be carrying all the risk involved in keeping this bank afloat while having no direct control over its affairs. The government is ensuring that if any sale is achieved, the benefits will go to speculative investors and not back to the taxpayer." Meanwhile, Bank of England governor Mervyn King revealed that, in November 2006, Prime Minister Gordon Brown (who was then Chancellor of the Exchequer) was warned by a top advisor that "urgent action" needed to be taken to deal with the potential collapse of one leading retail bank. Brown never acted on the warning and did not draft safeguards such as deposit insurance, King told a parliamentary select committee on the Treasury.

### Wall of Money Brings Famine

Dec. 19 (EIRNS)—Record prices for major agricultural commodities and a reduction in the volume of food aid means there is a serious risk that global hunger will worsen next year, according to the United Nation's Food and Agricultural Organization (FAO) report published on Dec. 17. This is the end-result of the hyperinflationary "wall of money" policies being carried out by the central banks—famine.

The warning by the FAO came as wheat prices jumped to an all-time high, soybean prices hit a new 34-year high, and corn rose to an 11-year high on strong demand and tight supplies reflected in extremely low global inventories. The food price hikes are the result of hyperinflationary money-pumping policies, and the long-term failure to invest in agricultural production and infrastructure.

Jacques Diouf, FAO director general, saw a serious risk of poor people getting less food next year because of the impact of high food prices and a reduction of volume of food aid. What Diouf does not say is that there had been a serious drop in agricultural production for several years, and it would get worse.

In this report, the FAO asked for financial support for a voucher system to help farmers in poor countries buy seeds and fertilizer, both of which are rising in price, in an effort to boost local production. Rising prices for crude oil and natural gas, the major feedstock for fertilizer, have pushed manure prices to levels not seen in the past two decades. Seed prices have risen on higher demand from emerging countries.

The FAO's call came as countries continued to take unilateral measures to protect their food markets. China said it would scrap a tax rebate on agricultural commodities exports to clamp down on foreign sales.

## **Weimar Hyperinflation: A Worldwide Crisis**

Dec. 21 (EIRNS)—The reality of Lyndon LaRouche's forecast of worldwide Weimar-like hyperinflation is becoming more and more obvious, as is recently evident, for example, in the report by *Gazeta* newspaper of Kazakhstan, which says that food prices are spiraling upward in most Central Asian nations.

In many Central Asian and Caucasus states, the inflation rate has hit double digits. In Kyrgyzstan, for example, it reached 20.1% during the January-October 2007 period, the National Statistics Committee announced. Although Uzbekistan denies it, the IMF claims Uzbekistan's inflation rate is now 12.2%. In Kazakhstan, inflation was 13.4% for the first ten months of 2007, according to the State Statistics Agency. The story is similar in the Caucasus. In Georgia, the country's statistics agency reported inflation at 11.2%. It was roughly the same in Azerbaijan—11%.

Both Kyrgyzstan and Tajikistan rely on wheat imports from Kazakhstan, which has lately found it more lucrative to export surpluses to China and India. Reports from Tajikistan, where inflation is running at 14.9%, say the price of a 50 kg bag of flour has risen by 20% over the last year. In Uzbekistan, which is scheduled to hold a Presidential election on Dec. 23, regional media outlets have reported that the price of flour has skyrocketed in recent months, rising between 10% and 37% depending on quality.

Scattered small-scale protests and panic buying have been reported throughout the region, and news of panic buying were reported from both Kyrgyzstan and Tajikistan.

## **Citigroup Can't Find \$10 Billion for Russian Deal**

Dec. 20 (EIRNS)—The big news in Russian finance today is that Vladimir Potanin, owner of Norilsk Nickel, was unable to

go ahead with his planned buy-out of his partner, Mikhail Prokhorov. The reason is that his lender, Citigroup, lacked the liquidity to provide the \$10 billion loan Potanin had negotiated. Now, Russian wires comment, Potanin may lose the opportunity to consolidate his control of the world's biggest producer of platinum group metals, as aluminum magnate Oleg Deripaska, head of Russian Aluminum (Rusal), is standing by to purchase Prokhorov's 11% stake in Norilsk Nickel if Potanin can't do it.

## **United States News Digest**

### **Bush Signs 'Roadblock' Act To Counter LaRouche's HBPA**

Dec. 21 (EIRNS)—President Bush yesterday signed the Mortgage Forgiveness Debt Relief Act of 2007, which was devised and steered through bipartisan Congressional channels as a counter to the growing momentum for the FDR-type, economy-saving emergency measures called for in Lyndon LaRouche's HBPA—the Homeowners and Bank Protection Act. Best called the "Roadblock" bill, all the new law will do, is to erase some tax obligations for those mortgagees who receive debt reductions as part of their mortgage restructuring. "My view of the economy is that the fundamentals are strong, that we've had strong growth for a reason: that we're competitive, we got flexible workplace, that we kept taxes low, exports are up," Bush said.

In fact, barely a fraction of the nearly 2 million homeowners whose mortgage payments are re-setting upwards now, and over the coming months, can look to any relief of any kind right now. The global financial system is blowing out, detonated partly by the deflation of unpayable mortgages in the speculative debt bubble.

In August 2007, LaRouche laid out guidelines for emergency Federal action to stay home foreclosures, shore up banks and needed credit flows, and create a work-out time period for eliminating worthless, speculative obligations. Resolutions backing this have been introduced in many states, and also passed in dozens of municipalities, from Stockton, California to Pittsburgh and Philadelphia. In Pennsylvania alone, 20 localities have demanded action on the HPBA.

### **More Congressional Signers for Cheney Impeachment**

Dec. 22 (EIRNS)—On Dec. 19, Rep. Gwen Moore (D-Wisc.) became the 24th member of Congress to add her name to H.R. 333 (which was referred to the House Judiciary Committee as H.R. 799), the resolution to impeach Dick Cheney, sponsored by Rep. Dennis Kucinich (D-Ohio). The growing momentum on impeachment also has picked up Rep. Anthony Weiner (D-N.Y.), who told Democrats.com that he would sign the op-ed by Reps. Bob Wexler (D-Fla.), Luis Gutierrez (D-Ill.), and Tammy Baldwin (D-Wisc.) calling for impeachment hearings in the House Judiciary Committee. Wexler's impeachment petition, posted on wexlerwantshearings.com, had well over 127,500 signatures as of this morning.

A number of articles appearing on opednews.com over the past couple of days note that between Wexler's call and Kucinich's resolution, nine of the 21 members of the House Judiciary Committee have shown support for impeachment (Baldwin has signed both). Wexler is planning to send a letter to committee chairman John Conyers (D-Mich.) in January calling for hearings, and is recruiting committee Democrats to sign it.

### **Stockton: Top Foreclosure City Attacks LaRouche's HBPA**

Dec. 19 (EIRNS)—Treasury Secretary Henry Paulson, backed by "Governator" Arnold Schwarzenegger, visited Stockton, Calif. Dec. 18, on Paulson's road tour to promote his made-on-Wall-Street solution to the home foreclosures and mortgage securities crisis. Stockton has the highest foreclosure rate of any U.S. city, roughly 1 of every 25 homes.

Today, following the Paulson/Schwarzenegger show, the *Stockton Record* featured a prominent attack on Lyndon LaRouche's Homeowners and Bank Protection Act (HBPA), the LaRouche Youth Movement (LYM), and LYM leader Jason Ross, who spoke to the city council about the HBPA. More than 35 city councils across the country—and the number is growing day-by-day—have urged Congress to enact HBPA; every day this is delayed, including by attacks like the clueless column in the *Record*, the urgent solution to the banking crisis and mass foreclosure wave is made more difficult, and thousands more homes are lost.

The *Record* column, by Michael Fitzgerald, counterposes to LaRouche's record as leading economic forecaster—including of the current banking blow-out—to the academic credentials of one Prof. Bill Herrin of the University of the Pacific, who called LaRouche's HBPA "ridiculous. It cannot work. It shows no understanding of how mortgage markets operate. No understanding," Herrin huffed.

Herrin's "critique" boils down to saying that because mortgage markets have been changed by "securitization" of mortgages, the actions Franklin Roosevelt and Congress took to stop mass foreclosures and protect banks in 1933-34, cannot work today. "It's the holder of the mortgage security [not a bank] that has the legal claim to that cash flow," Herrin insists, so don't try to take it away.

But many economists will admit today, that "securitization" is exactly what has turned the ongoing mortgage meltdown into such a serious crisis, with mass foreclosures and huge attempted bailouts of Countrywide Financial Corp., etc.

## **Cheney, Bush Lawyers Discussed Destroying Torture Tapes**

Dec. 19 (EIRNS)—The lawyers for President Bush and Vice President Cheney participated in discussions with the CIA about whether the Agency should destroy videotapes showing brutal interrogations of two alleged al-Qaeda operatives, the *New York Times* reported this morning, noting that White House involvement was more extensive than officials have so far admitted. At least four top White House lawyers took part in the discussions between 2003 and 2005 about whether to destroy the videotapes, according to current and former administration and intelligence officials interviewed by the *Times*.

One former senior intelligence official, described as having direct knowledge of the matter, told the *Times* that there had been "vigorous sentiment" among some top White House officials to destroy the tapes. The former official said of the discussions taking place in 2005, that some officials believed then that any disclosure of the tapes would have been particularly damaging after the Abu Ghraib revelations of a year earlier. Those who took part in the White House discussions included White House Counsel Alberto Gonzales, Dick Cheney's counsel David Addington, National Security Council legal advisor John Bellinger, and Harriet Miers, who succeeded Gonzales as White House counsel after Gonzales became U.S. Attorney General.

There are at least six crimes potentially involved here, says George Washington University law professor Jonathan Turley. "This is a very significant development, because it shows that this was not just some rogue operator at the CIA [who] destroyed evidence being sought by Congress and the courts," Turley told CNN this morning. "It shows that this was a planned destruction, that there were meetings, and those meetings extended all the way to the White House.

"There are at least six identifiable crimes here, from obstruction of justice, to obstruction of Congress, perjury, conspiracy, false statements, and what is often forgotten, the crime of torturing suspects," Turley pointed out.

## **State Budget Revenues Continue To Evaporate**

Dec. 19 (EIRNS)—As the housing market tanks, more and more U.S. states find their revenue coffers shrinking. At the end

of October, states had begun to report collapsing revenues. California then estimated a \$10 billion shortfall in revenues, while Florida, Maryland, and Virginia each estimated a \$1 billion-plus revenue gap. *EIR* reported in mid-November that these shortfalls were only the tip of the iceberg, and that by January, governors and legislators would be faced with bigger budget holes. Indeed, California's newest shortfall estimate is \$14 billion, Florida's has doubled to \$2 billion, while Arizona and New Jersey joined the \$1 billion-plus shortfall group.

Three reports released since Dec. 1 each found that states' deficits are growing rapidly and that the housing market crisis is a major cause of evaporating tax collections. The latest report, issued on Dec. 18 by the Center on Budget and Policy Priorities (CBPP), found nearly half the states are predicting budget shortfalls over the next two fiscal years, with 13 indicating a deficit will likely occur when the new fiscal year begins July 1, 2008. The CBPP estimates that deficits, cumulatively, could hit at least \$23 billion. "We're really teetering on the edge," said Iris Lav, the center's deputy director. "With the deficits this large already, before there's actual evidence we're in a recession, that seems quite serious."

## **Split Among Democrats Blocks FISA Reform Bill**

Dec. 18 (EIRNS)—Senate Majority Leader Harry Reid (D-Nev.) yesterday put off until January, Senate consideration of the Foreign Intelligence Surveillance Act (FISA) reform bill, after he was unable to find agreement among Democrats as to how to proceed with the measure. At issue is the provision in the bill produced by the Senate Intelligence Committee, which would give retroactive immunity to telecommunications companies that have participated in the Bush Administration's domestic spying program. President Bush has said he would not sign any bill that comes to his desk without that provision in it, but the Democrats are split on the measure. The Intelligence Committee, led by Sen. Jay Rockefeller (D-W.V.), has produced a bill that includes the provision, but the Judiciary Committee, led by Sen. Pat Leahy (D-Vt.), has produced one that does not. Proceedings on the bill stopped when Sen. Chris Dodd (D-Conn.) objected to a request by Reid that all amendments to the bill be considered under a 60-vote requirement, a request fully supported by the Republicans, but which would exclude just about any amendments, including one by Dodd to strike the immunity provision.

## **Ibero-American News Digest**

### **Chile, Brazil Offer Port Access to Bolivia**

Dec. 18 (EIRNS)—Offering economic development as the solution, Chilean President Michelle Bachelet and Brazilian President Lula da Silva made an 11th-hour diplomatic intervention to support Bolivian President Evo Morales, at a moment when this impoverished nation is threatened with territorial dissolution and race war, as per the scenario put out by Dick Cheney's American Enterprise Institute (AEI).

The two members of the Ibero-American "Presidents' Club" arrived in Bolivia Dec. 15 for the signing of the "Declaration of La Paz" to build a bi-oceanic corridor. This is a 4,000 km highway that will connect the Brazilian port of Santos on the Atlantic, pass through Santa Cruz in Bolivia, and then link to the Chilean cities of Arica and Iquique, both ports through which landlocked Bolivia can import and export goods.

In contrast to the extreme internal political tensions and polarization, the two Presidents offered an optimistic vision of the future, in which investments the highway construction will benefit Bolivians with jobs, higher living standards, and greater economic and cultural integration with their two neighboring countries.

Bachelet's intervention is particularly important given the history of conflict that Great Britain has orchestrated between the two countries, dating back to the 1879-81 War of the Pacific, in which Bolivia lost its Pacific Coast territory to Chile. Since

taking office, Bachelet has very deliberately reached out to Bolivia, offering dialogue and economic cooperation. In this, her third visit there, she noted that, with this corridor, "the Atlantic and Pacific will cease to live physically with their backs to each other, and we shall find ourselves in a single embrace of humanity and fraternity."

On Dec. 18, the heads of state of the Common Market of the South (Mercosur), meeting in Montevideo, followed up with a statement rejecting "all violent actions, which seek to harm the stability of the government and other entities elected by the people," and urged "all political forces to maintain a climate of dialogue and understanding." The summit host, Uruguayan President Tabaré Vázquez, told the Bolivian government to be assured, "that, in the name of everyone here, you have the support of all the countries that make up the Mercosur."

### **Fernández: No Interference in Regional Integration**

Dec. 18 (EIRNS)—In accepting the position of President Pro Tempore of the Common Market of the South (Mercosur) today, Argentine President Cristina Fernández de Kirchner warned those who would interfere in the process of regional integration, that "we shall not be broken." In an unmistakable reference to the Bush Administration, which she has recently accused of launching "dirty tricks" against her government, President Fernández noted that such interference is to be expected from those who "apparently only want countries that are subordinates, or employees, and don't understand the policies of friendship that the nations of Latin America do understand.... We shall continue fighting for the strengthening of Mercosur, and for a multipolar world.... Unilateralism has only created tragedy, pain, and insecurity in today's world," she declared.

The combative new Argentine President remarked that, contrary to those who predicted that Mercosur was about to disappear, the customs union has survived the decade of neoliberalism. "If we survived that, it's clear that this Mercosur is not only in good health, it also has good antibodies." She challenged the Mercosur members to take up an agenda of "productive integration and reindustrialization," affirming that Argentina's process of economic and industrial growth could be replicated throughout the region. The group's character as a customs union (not a free-trade zone) must also be strengthened, she said. Decent jobs must be created, to ensure social mobility, and infrastructure projects must be built.

### **Kirchner to Bush: Argentina 'Is Not a Colony'**

Dec. 20 (EIRNS)—Former Argentine President Néstor Kirchner sharply attacked the Bush Administration on Dec. 18, over the Miami-based Federal prosecutor's recent charge that \$800,000 smuggled into the country last August was a Venezuelan government attempt to fund the election campaign of President Cristina Fernández de Kirchner. "Argentina is not a colony. You must respect our justice system," he said.

The Argentine government charges that the U.S. Federal prosecutor's assertion is a "dirty operation" against the new President, and is demanding the U.S. extradite the individual who carried the suitcase full of cash into Argentina, Miami resident Guido Antonini Wilson. After Argentine customs officials seized the suitcase, Antonini fled the country and is now holed up in Miami, where Argentine officials charge he has become a "protected" U.S. government witness, rather than the person who committed a crime. Antonini holds both U.S. and Venezuelan citizenship.

Kirchner charged that the U.S. case is really motivated by its concern over the strengthening of Argentina's economic model, and "the creation of the Bank of the South," the new regional financing entity founded by seven Ibero-American Presidents in Buenos Aires Dec. 9.

The transparent fraudulence of the case has provoked a furor inside Argentina. Foreign Minister Jorge Taiana called U.S. Amb. Anthony Wayne into his office Dec. 18 to demand Antonini's extradition. Wayne was informed that he must henceforth limit his contacts to the Foreign Ministry. The U.S. "has offended us in a surprising and unfair manner," Taiana

told Wayne.

It is noteworthy, that Uruguay's Foreign Minister Reinaldo Gargano offered his support to President Fernández, characterizing the Antonini affair as "a scheme intended to achieve conjunctural political results, for the purpose of harming the image of a person who had absolutely nothing to do with this."

## **IMF to Mexico: 'Your Oil Is Our Oil'**

Dec. 17 (EIRNS)—The International Monetary Fund (IMF) is happy Mexico had a "breakthrough year" in passing structural "reforms"—the kind the IMF likes, like stealing people's pensions—in 2007, but now the time has come to put through energy "reform," IMF deputy director of the Western Hemisphere Department, David Robinson, told reporters on Dec. 13.

By "energy reform," the IMF means turning the national oil industry over to foreigners for looting. Lyndon LaRouche's contrary policy, which was shared by President José López Portillo (1976-1982) until the IMF staged a virtual coup d'état against his government, is for Mexico to develop and exchange its oil for nuclear energy technology, which would benefit not only Mexico but its major trading partners, such as the United States.

Robinson admitted that the IMF is no expert in the oil industry, but that didn't stop it from asserting in its annual review of Mexico's "performance," that oil producer Mexico will become a net importer of gasoline by 2012, if it doesn't let private interests in on the business. Ignoring decades of success in maintaining a highly qualified workforce since Mexico nationalized the oil from the cartels in 1938, the IMF argues that those poor Mexicans just don't have, and can't develop, the expertise or technology to develop the difficult deepwater oil fields which the IMF views as key for Mexico's finances.

Not to be outdone, the U.S. embassy in Mexico issued its own "expert" report on foreign investment in Mexico on Dec. 14, demanding that Mexico pass labor, education, and energy reforms, if it wants to keep foreign capital in the country. The report included the shocking fact, that Wal-Mart has now become the leading private sector employer in Mexico, with 150,000 employees—showing just how destroyed Mexico's own *industrial* economy has become under the North American Free Trade Accord.

## **Mexican Farmers To Protest Lifting of Tariffs on Food Imports**

Dec. 21 (EIRNS)—Mexican farmers are declaring a "state of war" against implementation of the final stage of the North American Free Trade Agreement (NAFTA), which, as of New Year's Day, requires the lifting of all remaining tariffs and quotas on corn, beans, milk, and sugar.

This fight has been brewing. Last March, *EIR*'s Dennis Small was a special invited speaker at the national convention of the Cardenista Peasant Organization (CCC), where he presented Lyndon LaRouche's proposals for replacing NAFTA, as part of a global reorganization.

This week, CCC head Max Correa warned that some peasants could go as far as "to take the way of the arms and the guerrilla," to prevent 6 million corn, beans, and milk producers from being bankrupted—their estimate of what this final stage of NAFTA will do. Correa demanded that the Mexican government re-negotiate NAFTA, to exclude corn, beans, and milk.

Víctor Suárez Carrera, from the National Council of Peasant Organizations, announced that his group will build a "human barrier" along the U.S.-Mexico border, and the PRI-linked National Peasant Confederation will start a national

mobilization, street protests, and seizure of federal offices.

Mexican farmers have been deprived of every single protection under NAFTA since its implementation in 1994. They were driven off the land, and the result was a sharp drop in living standards, and a dramatic increase in the rate of immigration from Mexico to the United States.

## **Brazil Launches Joint Space Science Project with Argentina**

Dec. 17 (EIRNS)—Brazil successfully launched a suborbital sounding rocket, a VS30, yesterday, from its launch site in Rio Grande do Norte. On board the rocket, which flew for nine minutes and 25 seconds, were two microgravity experiments contributed by Argentina, and a Brazilian experiment. This was the first collaboration between these two nations on a space mission.

Ibero-America's two major space powers have had a space cooperation agreement in place since 1998. Argentina builds its own satellites and has a world-class space manufacturing capability. Brazil has specialized in remote-sensing technology, and is a leader in South America in teaching professionals how to use Earth remote-sensing data. Both Brazil and Argentina have developed rocket technology, and Brazil is building a major launch facility at Alcantara.

## **Western European News Digest**

### **Poland's New PM Tough on Cheney's Missile Defense**

Dec. 21 (EIRNS)—Unlike his predecessor, neo-con ally Jaroslaw Kaczynski, Poland's newly elected Prime Minister Donald Tusk has made clear that Poland will allow the United States to install a U.S. missile defense system under Poland's terms only. He told the *Super Express* tabloid in an interview on Dec. 21, that Poland will not allow a U.S. missile defense base within its borders unless it has a "100%" guarantee that the installation will serve the country's national security needs. "If there is no such certainty, there will be no installation."

The United States says that the system, which would include ten interceptors in northern Poland, as well as a radar in the Czech Republic, would counter future threats from so-called rogue states such as Iran. But Russia says such an installation so close to its territory would be hostile to its own security, and has threatened to target the base in Poland with missiles.

Former Polish Premier Kaczynski was highly accommodating to the U.S. proposal. Tusk's Civic Platform party won Oct. 21 elections, pledging, among other things, to take a more skeptical approach to the missile defense plan.

### **Personal Debt Higher than GDP in Britain**

Dec. 17 (EIRNS)—Almost 1 million British households are struggling with their mortgage payments, and another 1.8 million (15%) are having problems, "at least occasionally," according to a survey released by the Bank of England in its latest *Quarterly Bulletin*. Things are going to be a lot worse, the tabloid *Daily Mail* reported today.

Britain is actually bankrupt, with personal debt exceeding GDP this year, for the first time in its history. Personal debt is a whopping \$2.690 billion, bigger than the estimated GDP of \$2.666 billion, according to a new report prepared by accounting firm Grant Thornton. Economist Stephen Gifford said that the only reason Britain is not "technically bankrupt," is that most consumer debt is "secured"—but with the perilous state of the housing bubble, this is actually not true. But, Gifford admitted, Britain "can no longer generate enough GDP to cover the amount we owe." Last week, the consumer

group Citizens Advice warned that unpayable subprime mortgages will "turn into a nightmare of debt and homelessness for thousands more vulnerable people."

## **Italy: Infrastructure, Families Neglected by Government**

Dec. 15 (EIRNS)—Giulio Tremonti and Paolo Cirino Pomicino, two former Italian economics ministers, intervened in the debate on the current government budget law, to point out the lack of investment for development and protection for families, especially those exposed to mortgage risks.

Giulio Tremonti, current deputy chairman of the House and leading member of the Forza Italia opposition party, accused the government of having introduced tax relief for banks, "financed through a tax increase for the manufacturing industry."

Paolo Cirino Pomicino, a budget minister in the late '80s and a member of the tiny Christian Democracy for Autonomies (CDA), a centrist party, had introduced an amendment for infrastructure investments which the government has rejected. The amendment proposed "at least 25 billion euros in three years to finance large infrastructural investments, reconstruction of urban peripheries, and strong tax relief for investments to small and medium-sized enterprises." Pomicino's amendment, however, is weak on the side of financing, proposing to find the money by selling state real estate assets.

## **British Government Wants 'Financial Emergency' Committee**

Dec. 17 (EIRNS)—The London *Guardian* reported today that British Chancellor of the Exchequer Alistair Darling wants to set up a special new government committee to deal with financial emergencies. The committee would be modelled on the "Cobra Committee," which deals with civil emergencies in Britain, according to Treasury sources. Cobra is chaired by either the Prime Minister or Home Secretary, and the new financial committee would give the chancellor and government more control when the next Northern Rock-style bank run or similar crisis hits.

After the European Central Bank pumped 350 billion euros (about \$500 billion) into the system Dec. 11, Mervyn King, governor of the Bank of England, told the British House of Commons Treasury Select Committee the same thing.

## **Minister: Italy Should Become Producer of Luxury Goods**

Dec. 17 (EIRNS)—Italian Finance Minister Tommaso Padoa Schioppa said in an interview with the *Financial Times*, that Italy's manufacturing role in globalization is that of a producer of luxury items. "The amount of people who want a Ferrari is increasing extremely fast. The same is true for excellent wine and sophisticated clothing. If Italians are capable of moving fast into the top layer of quality, then the fact that they manufacture traditional goods is not an impediment. It is also an opportunity."

Before undergoing neoliberal "therapy" in the 1980s and 1990s, Italy was a producer of "quality" manufactures in automotive, rail, aerospace, energy, shipbuilding, steel, etc. Those products were aimed at a large consumer market, represented by an expanding middle class. Now, most productive sectors have been or are being dismantled; the middle class is rapidly disappearing. But Padoa Schioppa, a former central banker, seems not disturbed by that. If a majority of Italians cannot afford a middle-class limousine, they should buy a Ferrari. "Let them eat cake!"

## **Sarkozy Does Not Favor Breakup of Belgium**

Dec. 17 (EIRNS)—The French daily *Libération's* Brussels correspondent wrote a full-page article today on the potential

break-up of Belgium, which follows the latest speech of Daniel Ducarme, a former Belgian minister and currently a member of the Belgian Parliament for the Walloon liberal party Mouvement Reformateur (MR) in the Brussels region. On Dec. 15, Ducarme proposed that the French-speaking Walloons create a French Belgium, uniting Wallonia and Brussels in a single area, leaving Belgium with the status of association with France similar to French Polynesia. Ducarme's remarks are seen as a trial balloon, but represent the first statement of an elected official on that level going so far in that direction. Up till now, the party campaigning to attach the Walloons to France received only 0.39% in federal elections last June. The move is presented as the Walloons' answer to the nationalistic drive of the Flemish.

While *Libération* notes that Ducarme was meeting French parliamentarians to discuss the idea, the paper reports that French President Nicolas Sarkozy, for the first time taking a stand on the subject, declared at the European Council session in Brussels Dec. 14, "It is a serious matter. The position of France is that Belgium, a great neighboring and friendly country, can overcome its difficulties. Under no circumstances do we want to interfere."

## **German Maglev Projects Discussed in India, Iran**

Dec. 19 (EIRNS)—An industry lobby, "Bavaria for Transrapid," was established in Germany this week, which will place newspaper ads and sponsor public forums by experts to counter the anti-maglev populism of people like Munich Mayor Christian Ude.

The Bavarian state government is insisting on a national pro-maglev law that would make the construction of the planned Munich project mandatory, and guarantee additional funds, should they become necessary to carry out that project. The impact of the LaRouche-linked BüSo party's campaigns for the maglev projects can be seen in these developments.

Increased interest in the technology can be reported from outside Germany as well:

India's financial capital, Mumbai, is considering a six-route, 16-30 mile, \$5.4 billion maglev high-speed train network as a part of a radical overhaul of the infrastructure of the city. And the *Tehran Times* writes today that among envisaged new German investments in Iran, the biggest Germany-Iran project is a \$9.14-billion plan, discussed earlier in 2007, to build a maglev line connecting Tehran to the northeastern city of Mashhad.

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

### **Time Magazine 'Person of the Year' Discusses FDR**

Dec. 19 (EIRNS)—*Time* magazine chose Russian President Vladimir Putin as "Person of the Year" for 2007. In an interview with *Time*, Putin was asked whether he had invoked the name of Franklin Roosevelt because FDR served multiple terms. Instead, Putin chose to discuss Roosevelt more substantially: "Now, on the Roosevelt model.... We analyze very attentively everything that goes on in other countries throughout the world, and everything that has happened in the history of Russia and other countries. Roosevelt is a very sympathetic figure, and was not only an outstanding statesman of the United States, but a figure of global stature. He was our ally during the Second World War. Let us remember in what period he was President. Those were the years of the most serious depression, the Great Depression in the United States. He was the one who instilled optimism in the American people and trust in the future of their country. He was the one who won the war against the fascism, as our ally—of course, together with us, together with the Russian people, but he was the head of the United States. At the time, perhaps, such forms of political organization as an unlimited number of presidential terms were called for. Later, the American people decided otherwise, which was America's sovereign right to do. How we arrange our own business is the sovereign right of the Russian people."

## Russia View of Britain in 2007 Cites LaRouche

Dec. 20 (EIRNS)—Russian analyst Boris Mezhuyev, editor of the APN agency, published a year-end article in *Smysl* magazine about how Great Britain was viewed in Russia during 2007, on the backdrop of the Litvinenko affair and London's continued harboring of Boris Berezovsky and Chechen separatist Ahmad Zakayev. Titled "The Empire Comes Out of the Shadows," Mezhuyev's article was distributed on Dec. 18 by the Rosbalt information agency. It includes a lengthy discussion of Lyndon LaRouche's writings as a source used by Russians on the role of the British in history and today.

Mezhuyev singled out as especially important a recent series presented by Mikhail Leontyev on his Sunday Channel 1 TV show, titled "The Great Game." Here, "viewers learned many new things about the Anglo-Russian confrontation of the 19th-20th centuries." According to Mezhuyev, this and other anti-British media material were motivated not so much by the Litvinenko affair, as by "the British track in North Caucasus events, discovered by Russian counterintelligence." Evidently, he added without giving details, "The British lion, after the American eagle broke its talons in Iraq, is once again returning to Asia and the Caucasus, step by step trying to push aside not only Russia and China, but also its own NATO allies."

While professing uncertainty about "whether or not a British 'secret empire' exists," Mezhuyev presented "three versions" of this analysis: Dmitri Galkovsky's thesis on the Soviet Union as a "British colony," geopolitician Geidar Jemal's focus on the role of Europe's old royal and aristocratic families, and the "more interesting" historical insights of LaRouche.

"LaRouche rejected Marxism and became a defender of the so-called American System in economics," wrote Mezhuyev, "meaning the dirigist model in the spirit of President Roosevelt's New Deal. This state-oriented model is opposed by a different model—the liberal-oligarchical one, rooted in British economic liberalism and the philosophy of Thomas Hobbes, who is held responsible for all the sins of the modern era, colonial slavery above all." Mezhuyev added, however, that he found LaRouche's tracing of Hobbesian economics to the old Venetian system "fantastical."

Mezhuyev further summarized: "The formal collapse of the Empire in the 20th Century simply withdrew British colonial rule into the shadows: Now, they started ruling the world through the financial institutions they control. LaRouche sees his main objective as being to free the American Republic from domination by the British Empire and its henchmen in both American parties, like both Bushes or, for example, Al Gore.

"There is a rational kernel in LaRouche's system. It is not even just that the U.S.A., rather unexpectedly, turned from being the most protectionist state in the West into the main propagandist for the British free-market model. Rather, the point is that the ideology of Rooseveltian state capitalism, which at one time was the central component of the Democratic Party's ideology, has now become a fringe phenomenon. In Republican circles, conservative opponents of government intervention in the economy began to set the tune, while on the left, people have gotten more and more off into post-industrialism and defense of the environment against harm from industry."

In the months before his commentary appeared, LaRouche's interview with Andrei Kobayakov of RPMonitor.ru appeared on scores of Russian websites under the title, "The Threat Comes From London."

## Russia Warns of 'Uncontrollable Crisis' Around Kosovo

Dec. 17 (EIRNS)—A Russia expert who just returned to Washington from Moscow reports that there are two "red lines" for Russia. Those are, an attack on Iran and a declaration of independence on the part of Kosovo. Russia, which is fully committed to preventing both of these developments, today called for the creation of a "new road map" to resolve the international crisis brought on by Kosovo's intention to declare its independence from Serbia. On Dec. 7, mediators reported that four months of talks had failed to reach any agreement. Kosovo is expected to declare independence sometime

next year.

The Russian foreign ministry said in a statement that talks should continue. It added that "there are behind the scenes maneuvers ... which are aimed at making [the UN] legitimize the next illegal steps. We are certain that no one will give in to blackmail.... The situation is fraught and risks sliding toward an uncontrollable crisis."

On Dec. 21, Foreign Minister Sergei Lavrov told the daily *Vremya Novostei* that Russia will veto any United Nations Security Council resolution that approves a unilateral declaration of independence by Kosovo.

## **South Korean President Offers Engagement in Russia's Far East**

Dec. 21 (EIRNS)—South Korea's President-Elect Lee Myung-Bak met with Russian Ambassador Gleb Ivashentsov just days after the former's election victory, offering Korean collaboration, potentially from both the North and the South, in the development of the Russian Far East. "If we, together with Russia, carry out the development project, it will be a turning point in economic cooperation in the Northeast Asian region and boost Russia's development as well," Yonhap news agency quoted him as telling the envoy. "I'd like to get on this project right after I assume office," which will be on Feb. 25. Yonhap reports that Lee envisages combining South Korea's advanced technology with North Korea's labor and Russia's natural resources.

Lee pledged during his campaign to maintain the "Sunshine Policy" of working toward reunification of North and South Korea. Clearly, working together on the development of Russia's Far East would solidify that impulse toward peace and development on the peninsula and in Northeast Asia generally.

## **Russia Tweaks EU and U.S.A. on Central Asia Pipeline**

Dec. 21 (EIRNS)—Russia, Turkmenistan, and Kazakhstan have signed a landmark deal to build a gas pipeline which will carry Turkmenistan's gas to southern Russia. Russian President Putin and the leaders of Turkmenistan and Kazakhstan had agreed on May 12 to build a pipeline along the Caspian coast to pump 10-20 billion cubic meters of gas to Europe via Russia's pipeline network. "The creation of this new energy artery will allow large-volume gas supplies in the long term to our partners, and will become a new major contribution by our countries to improved energy security in the Eurasian space, and in a larger context, for our consumers in Western Europe," Putin said.

The deal is seen as a blow to U.S. and European Union efforts to build an alternative pipeline under the Caspian Sea, bypassing Russia, to pump Central Asian gas to Europe via Azerbaijan and Turkey, in order to reduce the EU's dependence on Russian-controlled energy. The trilateral deal will see the gas pipeline traveling northward along the eastern shores of the Caspian Sea and, then, veering eastward through Kazakhstan for southern Russia.

## **Russian Navy Exercises in Mediterranean**

Dec. 21 (EIRNS)—After an absence from the Mediterranean Sea of almost 11 years, a Russian Naval Task Force, led by the aircraft carrier *Admiral Kuznetsov*, passed through the Strait of Gibraltar on Dec. 21. The task force, drawn largely from the Northern Fleet, had just completed strategic exercises in the North Atlantic.

Russia's plans to relocate part of its Black Sea Fleet to the Mediterranean took shape 2006. Navy chief Adm. Vladimir Masorin in August 2007 called for an "adjustment of strategies" to restore a permanent Russian naval presence in the Mediterranean.

## **Belarus Accuses U.S.A. of Treaty Violation**

Dec. 17 (EIRNS)—Mikhail Khvostov, Ambassador of Belarus in Washington, today accused the United States of violating the 1994 memorandum signed by Belarus, Russia, the U.S.A., and Great Britain, under which Belarus agreed to sign the Non-Proliferation Treaty as a non-nuclear weapons state, the Soviet-era weapons stationed there having been transferred to Russia. Recent sanctions imposed against the Belarussian Concern for Oil and Chemistry (Belneftekhim), he said, were a violation of this memorandum, which included "a written obligation by the United States to Belarus to refrain from economic coercion designed to subordinate to the United States' own interest the exercise by Belarus of the rights inherent in its sovereignty and thus to secure advantages of any kind." The sanctions furthermore violate the U.S. Constitution, Khvostov said, since it regards treaty obligations as the supreme law of the land.

## **Southwest Asia News Digest**

### **Syrian Envoy: Russia Will Aid in Israel-Syria Peace Talks**

Dec. 17 (EIRNS)—Syrian Ambassador Imad Moustafa told a packed audience at the Woodrow Wilson Center in Washington, D.C. today, that it is Russia, not the U.S., that will play the major role in furthering the talks between Israel and Syria, to end the Israeli occupation of Syrian territory—i.e., the Golan Heights. The ambassador was optimistic about the possibility of this track moving, but he was also frank in condemning the current U.S. Administration for its failure "until seven months ago," at a meeting at Sharm el-Sheikh (Egypt) to pursue any of Syrian President Bashar al-Assad's initiatives to cooperate with the U.S., and to reopen talks to Israel.

Moustafa reviewed the history of Syrian-U.S. relations, especially since the Iraq War, which Syria opposed, getting placed on the top list of "rogue nations" because of this. In January 2005, Deputy Secretary of State Richard Armitage (under Colin Powell) came to Syria, and communicated a list of demands, in order to normalize relations with the United States. All conditions were met, he said, but when the "new team" came into the State Department, relations with Syria were put into deep freeze. When Condoleezza Rice reopened the talks at multilateral meetings in Spring 2007, the Syrian government kept demanding diplomatic talks at a high level, and refused to attend the Annapolis conference until "three days before" the meeting, when the State Department informed the Syrian government that the agenda *would* include a session on the Israeli-Syrian and Israeli-Lebanese conflicts, as Syria had demanded.

*EIR* asked about Israeli-Syrian peace negotiations, including the references in Israeli newspapers from top Israeli officials such as President Shimon Peres, talking about the necessity to make peace with Syria, and whether there were any talks going on at present. The ambassador thanked *EIR* for reminding him to mention this very important issue—that many top Israelis do openly call for negotiations with Syria. But, he insisted, Syria does not want only "back channels," "secret talks"—though there are several. Assad has been clear: "We want peace." He said this means peace talks openly "in the sunshine." This, the last question, set the tone for Wilson Center Middle East director Haleh Esfandiari to conclude the forum, saying she hopes to have Moustafa return for a talk that includes the Israeli Ambassador, when such talks begin.

### **Russia Accelerates Steps To Prevent an Attack on Iran**

Dec. 17 (EIRNS)—In a clear effort to prevent Vice President Dick Cheney from pressing ahead to an attack on Iran, Russia continues to take steps, in the context of the Annapolis conference and the upcoming Middle East conference in Moscow, to engage Iran in dialogue, while continuing to pressure it to suspend uranium enrichment, even though Iran still insists on its right to enrich its own uranium.

Russia's Atomstroieksport, the company which is a member of the consortium building the nuclear power station at Bushehr

announced that the first "fuel assemblies" containing uranium enriched to 3.62%, were delivered on Dec. 14. Deliveries will continue until February 2008, and after six months it is believed the power station will be commissioned.

"Containers with fuel sealed by the International Atomic Energy Agency (IAEA) inspectors have been delivered to the site and placed in a special storage facility subject to international safety monitoring," a statement from Rosatom reported.

The Russian foreign ministry issued a statement saying, "We believe that entirely new conditions have been created, allowing Iran to take steps to restore trust in the peaceful nature of its nuclear program.... This includes suspension of uranium enrichment activities, as Iran will not need its own enrichment facility in the mid-term."

Although the spent fuel will be returned to Germany, an unnamed Iranian official told Reuters that there is nothing in the agreement stipulating that Iran will stop enriching uranium.

At the same time, the Iranian Defense Ministry announced that on Dec. 19, Tehran will host the fourth conference of the Iran-Russia Joint Defense Cooperation Commission.

The Russian delegation will be led by the head of the Russian Federal Service for Military and Technical Cooperation, Mikhail Dmitriyev. The commission will discuss expanding defense ties and examine the state of the agreements reached during earlier Iran-Russia joint defense commissions, according to IRNA.

## **Israel-Hamas Negotiation Not Ruled Out**

Dec. 21 (EIRNS)—Negotiations with Hamas should be considered if the group makes a genuine offer to end terror activity, stop smuggling, and discuss the release of abducted soldier Gilad Shalit, National Infrastructures Minister Benjamin Ben-Eliezer told Israel Radio today. Ben-Eliezer added that, in his experience, Prime Minister Ehud Olmert would not reject any offer outright.

Meanwhile, security sources quoted by Army Radio said Israel would not be able to ignore Hamas's offer of a ceasefire, if it proved able to halt Kassam rocket attacks on Israel from Gaza. The sources added that no negotiations were taking place at the moment.

"The prime minister, I know, doesn't totally rule anything out," Ben-Eliezer said. "If a serious proposal is put on the table and Hamas is willing to discuss a long-term ceasefire and is willing to stop the terror, to stop the smugglings and is willing to open talks on the release of Gilad Shalit, I would go to negotiations."

Nonetheless, *Ha'aretz* reports that Israeli strikes against militants in Gaza continue, and that a Hamas gunman was killed in a clash in Khan Younis, Gaza.

## **Syria: U.S. Obstructing Negotiations in Lebanon**

Dec. 20 (EIRNS)—Syrian Foreign Minister Walid al-Mouallem met with reporters in Damascus on Dec. 20, responding to reports that French President Nicolas Sarkozy told President Bashar al-Assad, by telephone, that his patience was wearing thin regarding Syria's ability to get the opposition forces in Lebanon to move forward with the Presidential election.

The Foreign Minister said that the U.S. was obstructing a deal in Lebanon by ignoring the principle of consensus and insisting on majority rule in the negotiations between parliamentary blocs. "The American role in Lebanon should be

sidelined because it is not balanced," he said. "Syria is playing a constructive role. We are facilitating a solution, but at the end the solution is a Lebanese one."

He also said that he is will discuss Lebanon with Claude Gueant, Sarkozy's chief of staff, on Dec. 20.

Al-Mouallem stressed the "legitimacy of the position of the opposition groups [in Lebanon]," adding, "They don't demand seats in the Cabinet more than their share in the Parliament."

Shortly after this, in Washington, following a visit to Lebanon by National Security Council neo-con Elliott Abrams, President George Bush attacked Syria again today at the White House press conference. With the Lebanese Presidential election stalled after the assassination of Gen. François el-Hajj, Sarkozy called Assad on Dec. 19 to issue an ultimatum, that the Syrian President has to deliver the Lebanese Presidential election, by ending Syria's "interference." In answer to a question about whether Sarkozy's call to Assad was coordinated with President Bush, Bush answered:

"No, it wasn't coordinated with me and my patience ran out on President Assad a long time ago. And the reason why, is, because he houses Hamas, he facilitates Hezbollah, suiciders go from his country into Iraq, and he destabilizes Lebanon.

"And so, if he's listening, he doesn't need a phone call. He knows exactly what my position is.

"We are—our view of Lebanon—first of all it's very important that Lebanon's democracy succeed."

Bush behaved as though the Annapolis conference, which included Syria, had never occurred, proving that Dick Cheney's influence in the Administration is as toxic as ever.

## Asia News Digest

### LaRouche's Cooperation Proposal Doubly Welcome in China

Dec. 19 (EIRNS)—China's state policy is to cooperate with the United States, a Chinese economist with many connections to the Beijing banking authorities said in a discussion with *EIR* today.

Efforts earlier this year to try to get the U.S. to lessen its pressure on China through "unofficial" channels did not have the effect China wanted. Therefore, statements about cooperation, such as Lyndon LaRouche made in Los Angeles in November (*EIR*, Dec. 7, 2007), are all the more welcome, since this is what China wants to do, he said. The economist said that in a discussion with professors and students after he delivered a lecture on economics earlier this month at Beijing's Tsinghua University, LaRouche's proposals were well received.

China is well aware that while the U.S. Treasury Secretary Henry Paulson and other officials are putting on enormous pressure for China to up-value the yuan. However, it is not the allegedly "undervalued" yuan, but rather the collapsing U.S. dollar which is really creating tensions in the current financial situation.

The dollar collapse is a big problem for China, the economist said. Inflation is high, and rising fast, and one "joke" in Beijing is that while the yuan is appreciating so fast externally—against the falling dollar—internally, it is depreciating faster! The massive liquidity being generated by the huge trade surplus with the U.S., and the falling dollar, is a key source of the internal inflation.

In July, Prof. Xia Bin, now head of the financial institute at the Development Research Center of the State Council—who was one of the economist's students—made a statement that China should "be smarter in setting the issues" and use some of its foreign reserves as a "bargaining chip" in talks with foreign governments, by which he meant the United States. This was made as an "unofficial" statement in an attempt to get the U.S. to lower some of the political and economic pressure on China, but the view in Beijing is that this did not have the desired effect. Paulson and President Bush had very strong negative reactions. Therefore, the economist said, he does not think China will use this kind of "confrontation"—mild though it was—again. Offers for collaboration, as LaRouche made, are therefore all the more welcome in China.

## **India Forges Ahead With Moon Exploration**

Dec. 18 (EIRNS)—India has installed a pair of giant antennas to monitor a planned robotic mission to the Moon in 2008. India plans to launch Chandrayaan-1 in April next year, becoming the third Asian nation, along with Japan and China, in Moon exploration. The spacecraft will conduct a lunar orbit at a distance of 385,000 kilometers from Earth.

The first robotic mission, budgeted at \$100 million, will be followed by another in 2012. India's deep-space network will serve as the base station for future planetary exploration, such as a planned mission to Mars.

Europe's SMART-1 spacecraft, powered by a novel ion-propulsion system, has entered orbit. Japan, China, and the U.S. National Aeronautics and Space Administration (NASA) also hope to launch missions to the Moon over the next six years.

Telling newsmen that "the golden era of lunar exploration is about to begin," Narendra Bhandari, a senior scientist at the Physical Research Laboratory in Ahmedabad, India, said Chandrayaan-1 is intended to be only the first of a series of lunar missions from India. A long-term lunar exploration program with lander and sample return missions is currently under review by the Indian Space Research Organisation. The ISRO scientists are already addressing technical challenges ahead. Dr. R. Venkataramanan at the Vikram Sarabhai Space Centre (VSSC), for instance, has worked out via computer simulation a landing trajectory for a soft-landing mission to the Moon.

## **Cash From Afghan Opium Explosion Starves Pakistan's Poor**

Dec. 19 (EIRNS)—As Pakistan, a Muslim nation with 160 million people, prepares to celebrate Eid ul-Adha, the second-most important Islamic holy day, much of the wheat flour has vanished from the markets. As a result, the price of the inadequate amount of wheat flour available has soared and is beyond the reach of the sea of poor who inhabit Pakistan. Wheat flour is the staple of majority of Pakistanis.

What is happening? Across Pakistan's western borders, particularly since the U.S. invasion of Afghanistan in the Winter of 2001, opium production has gone up by leaps and bounds. Opium cultivation has gone up at least fourfold. Subsequently, U.S.- and NATO-controlled Afghanistan is producing 95% of world's opium and is accounting for more than 50% of Afghanistan's GDP. So a large number of Afghans today have some cash—at least enough to buy food and other essentials at an inflated price. What that means is that Pakistan's wheat flour is now going across the undemarcated and open Pakistan-Afghanistan border, otherwise known as the Durand Line, depriving tens of millions of Pakistani poor. This flour is being paid for in cash generated by opium sales.

In other words, if the U.S. and NATO troops continue to protect Afghanistan's opium and marijuana cultivation, as they are doing now, Pakistan's poverty will be eliminated altogether by killing off its poor.

## **Eurasian Giants Hold First Trilateral Cooperation Meeting**

Dec. 16 (EIRNS)—The first-ever Russia-China-India trilateral conference on "Strengthening Economic Cooperation" took place in New Delhi on Dec. 15. On the agenda was enhanced cooperation among the three giant Eurasian nations in developing energy, infrastructure, biotechnology, chemicals, pharmaceuticals, and nanotechnology. While the perspective is long-term—the next conference will be held in China in 2009—the need to upgrade cooperation was placed on the table. Trade, investment, and other cooperation, especially between Russia and India, is currently far below potential. Chinese-Russian trade is the highest, worth at least \$40 billion this year, and China-India trade, which is growing very fast, is approaching \$30 billion. India-Russia trade is worth a mere \$4 billion, mostly in Russian military exports. This conference was proposed at the several trilateral meetings of the nations' foreign ministers, the latest in Harbin, China.

## **New South Korean President's Development Plans**

Dec. 19 (EIRNS)—Lee Myung-bak, the candidate of the opposition conservative Grand National Party, swept the Presidential election in South Korea today, with just under 50% of the vote, against 26% for the government party's candidate and 15% for the leading right-wing candidate. Lee "MB," as he calls himself, although from the traditionally anti-communist party, reflects the changed character of Korea today, due both to the successful beginning of a North-South dialogue developed over the past decade through the the "Sunshine Policy" of opening up to the North, launched by President Kim Dae-jung in the 1990s, and to the recent success of the six-party talks, reflecting the defeat of the war party in the Bush Administration around Dick Cheney, in regard to Asia policy. China's and Russia's roles in both aspects of this shift has been crucial.

Lee, a former Hyundai executive, was mayor of Seoul, where his economic development of the city won him broad support. Lee promises "creative reconstruction" under his administration, with a blueprint for North Korea's economic development and peace on the Korean Peninsula, sustaining, if modifying the Sunshine Policy. His "MB-doctrine" for foreign policy comprises seven projects, encompassing North Korea, unification, security, and diplomacy, with enhanced infrastructure development in both parts of Korea. He proposes to bring the income of North Koreans to \$3,000 per year within ten years.

## **China Cutting Grain Exports To Stop Inflation**

Dec. 18 (EIRNS)—In a measure to try to control fast-rising food prices in China, the government has decided to end export-rebates on all important grains as of today, *China Daily* reported. The rebates were part of China's overall policy, developed during the last decades of the 20th Century, to expand exports, to earn as much foreign exchange as possible. The 13% tax rebate applied to exports of wheat, corn, and soybeans, and all flours.

In November, Chinese food prices shot up 18.2%, pushing overall inflation up to 6.9%, the highest in 11 years. Earlier in 2007, the government began selling state reserves of corn (maize) and wheat to ease price rises, and last week sold 500,000 tons of corn from its reserves. Another 500,000 tons will be sold today. On top of this, exports of corn and wheat were halted in the second half of 2007.

China, the world's largest grain consumer, is a net exporter of rice, wheat, and corn. It has exported over 85% more corn (4.9 million tons) so far in 2007 over 2006, while rice exports were up 7%, to 1.2 million tons. China's overall grain production is about 500 million tons this year.

## **Africa News Digest**

### **The Case of Africa: Who Is British Imperialism?**

Dec. 23 (EIRNS)—Dispatches from the London *Economist* on the subject of the succession to South Africa's President Thabo Mbeki, warn us that Princess Diana's legacy still haunts British Africa policy today. The seemingly perpetual state of uncertainty, whether swindler Al Gore's choice, the current Prince of Wales, or a son of former Princess Diana, shall inherit the succession to the British throne, underscores the fact that a Queen, or even a King, may be the designated British monarch; but, the more essential fact remains, that it is the den of financial thieves represented by the Anglo-Dutch Liberal financier oligarchy which considers itself the real emperor of not only the British Empire as such, but the whole world, today.

The problem is that the recent decades, the current U.S. pre-presidential campaigns remind us, since the death of U.S. President Franklin Roosevelt and the assassination of President John Kennedy, have been a span of increasing mediocrity in both our public and private life, now reaching that state of moral as much as intellectual imbecility and outright fraud typified by computer games and Wikipedia. So, it is asked: "What is happening in Africa?" instead of how rotten are the forces now dominating what is every part of the planet considered in the large.

There is presently, one crucial problem of this planet, for which what is crucially important in any part of this planet is only a reflection. That problem is typified by the profound moral and intellectual decay pervading the planet as a whole, as a result of a neo-malthusian pestilence of lying called "globalization."

So, for example, the Anglo-Dutch Liberal financier cartel behind the imperial practices of the BAE, are launching campaigns intended to spread genocide through maximizing available options for spreading the internal conflicts within Africa, among other places.

So, in an editorial run before the recent leadership election of the African National Congress (ANC), the Dec. 15 London *Economist* stated that both candidates, South African President Thabo Mbeki, and ex-Vice President Jacob Zuma, were deeply flawed, and that neither should be running the ANC, or the country. "A split in the movement might be welcome," said the *Economist*, "because the country should be moving to a new era of pluralist democracy," and complained that many in the ANC do not see Mbeki's autocracy as bad. The *Economist* lamented that the favorite candidates of the British, Tokyo Sexwale and Cyril Ramaphosa (a lawyer, trade union organizer, and politician, before he turned to business) didn't have a chance because the ANC's authoritarian traditions prevented them from even being considered as candidates.

The British are not happy with the strategic role that South Africa has played in Africa. The latest example of this role was at the EU-African summit in Lisbon, where South African President Thabo Mbeki was widely recognized for playing a critical role in preventing the EU from getting African nations to agree to a free-trade agreement that would have opened them up to more looting. Peter Mandelson, the EU Trade Chief who is trying to force the free-trade agreement on the African nations, singled out Mbeki as one of the key opponents, who was influencing other African nations to oppose the EU plan. Mbeki's efforts to mediate the situation in Zimbabwe, as well as South Africa's peacekeeping interventions into other conflicts in Africa, is also not appreciated by the British and the EU more generally, as they are concerned by growing Chinese influence in Africa. If African countries are destabilized, it will be more difficult for China to increase its influence through aid to development projects, and trade.

South Africa's agreement, at the time of independence, to play by IMF rules, has now led to Mbeki's popularity falling because of continuing, or worsening poverty. Among the general population, Zuma is not so popular either. A poll cited by the *Economist*, indicates that half the population in the big cities in South Africa think a Zuma presidency (of South Africa) would be disastrous. In this context, the British seem to be angling for one of their favorites, Sexwale or Ramaphosa, to become the next president of South Africa.

## **South Africa's ANC Elects Populist Jacob Zuma**

Dec. 19 (EIRNS)—Jacob Zuma was elected yesterday as next president of the South African ruling party, the African National Congress (ANC). More than 4,000 delegates began the party's five-day convention on Dec. 16. Contenders for the presidency were the sitting ANC president, Thabo Mbeki (also President of the country), and the sitting ANC deputy president, Zuma, who had been the Deputy President of the country until Mbeki fired him in 2005.

Zuma maintained that he will relieve the poverty in the country. However, prior to the ANC convention, he spent ten days in India, Britain, and the United States, reassuring financiers that South Africa's policies would not change. He has the support of the Congress of South African Trade Unions (COSATU) and the South African Communist Party, but he also has Tokyo Sexwale (pronounced "Schwaleh") appearing on platforms with him. Sexwale, who had been imprisoned during Apartheid, now a multi-millionaire, is on the advisory board of Wingate Capital, which is linked to the huge bribery scandal of BAE Systems, the British arms firm. He is also on the international advisory board of JP Morgan Chase & Co.

Zuma is now positioned to become the ANC candidate for President in 2009—unless he is re-indicted and convicted of corruption in the South African arms procurement scandal. One of his associates has already been convicted of taking bribes from a French arms company.

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