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Bankrupt Funds' Bailout Push Bars Mortgage Crisis Solution

by Paul Gallagher

As the U.S. home foreclosures crisis deepens, and mortgage banks and lenders sit on the edge of bankruptcy in the United States and in Europe, Congressional sources say that efforts to act on the crisis are being distorted by tremendous pressure on Congress from the hedge funds, investment banks, and their lobbies—pressure for a huge bailout of the funds by government housing agencies. Such a bailout, under the guise of “helping homeowners avoid foreclosure,” would do no such thing—the admitted failure of a \$100 million Ohio state mortgage refinancing plan, since May, has shown that. But it would turn Fannie Mae, Freddie Mac, the Federal Housing Administration, into so many additional Federal Reserve Banks, injecting hundreds of billions—as the Fed has already been doing—into a bailout of the hedge funds and their partners, the Wall Street investment banks, which created the monstrous speculative bubbles based on housing mortgages.

In-Depth articles from Vol. 34, No. 37

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Strategic Overview

Schiller Institute: Eurasian Land-Bridge Is a Reality

Some 350 people from 40 nations gathered in Kiedrich, Germany for two-day conference on the Eurasian Land-Bridge. **Lyndon H. LaRouche, Jr.** gave the keynote address. A first report—with more to come next issue.

Feature

Bankrupt Funds' Bailout Push Bars Mortgage Crisis Solution

Bailing out the hedge funds, commented Lyndon LaRouche, 'is the precise equivalent of spraying cold gasoline on a burning building,' spreading the fire into an international explosion of inflation and a dollar collapse.

Resolutions

- **To National Black Caucus of State Legislators**

'Resolution to Congress—Implement the Homeowners and Bank Protection Act of 2007,' filed by State Rep. Juanita Walton (D) of Missouri.

- **'The Right Approach'**

By former Congressman Andrew Jacobs, Jr. (D-Ind.).

- **Dems Invoke FDR Legacy**

Resolutions on the housing crisis were adopted by Democratic Party bodies in Los Angeles and Massachusetts earlier this year.

Foreclosure Rates for Top 100 Metro Areas

Dead Crocodiles Found Beached on the Queen's Cayman Islands

Secretary Espy Stayed Farm Foreclosures

International

Fox News Spews Chicken Poop To Boost Cheney's Iran War

Cheney does have a plan to bomb Iran, but it has nothing to do with the anti-Iran chicken-poop propaganda that Anglo-Australian yellow media baron Rupert Murdoch is spreading through his news empire.

Africa Fears AFRICOM Will Create Conflicts

National

On a Fateful September Weekend:

This New Millennium of Ours!

Lyndon H. LaRouche, Jr. writes on the occasion of his 85th birthday. If we can muster the resolution to make emergency agreements among sovereign nations now, he writes, to deal effectively with the global financial-economic crisis, 'we will probably have defined the hopeful future for all mankind for at least a millennium to come.'

Economics

Bering Strait Tunnel, Alaska-Canada Rail:

Infrastructure Corridors Will Transform Economy

Infrastructure corridors built as part of the Bering Strait Tunnel project will generate a renaissance in manufacturing and infrastructure the United States and Canada, and will link the Americas to Eurasia and Africa.

U.S. Mortgage Crisis: Demise of an 'Importer of Last Resort'

Global Warming Update: Carbon Offsets Are Genocide

LaRouche Movement Organizes for a Nuclear Renaissance in Colombia

Vitus Bering and the Rediscovery of America

The man after whom the Bering Strait was named, was an intrepid Danish explorer (1681-1741), who helped carry out Leibniz's dream investigating the border between Asia and North America, as a way to promote the development of both.

Science & Technology

Maglev: Transport Mode for the 21st Century

Drs. James Powell and **Gordon Danby** tell how magnetic levitation can revolutionize world transport, in this article reprinted from *21st Century Science & Technology*, Summer 2003. This article was presented as part of the proceedings of the Schiller Institute's Sept. 15-16, 2007 conference in Kiedrich, Germany.

Book Reviews

Gosselin: Canadian Patriot, Revolutionary

George Washington's French Canadian Spy,
by Henri Gosselin.

Editorial

Republic vs. Empire: The Crucial Battle

U.S. Economic/Financial News

Record U.S. Heating-Oil Prices Reported

Sept. 13 (EIRNS)—The record run-up of the U.S. heating-oil price highlights the impact of hyperinflation on everyday essentials. On Sept. 12, October heating-oil futures hit the highest price ever on the New York Mercantile Exchange, soaring to \$2.2224 a gallon, closing up 1.7% for the day at \$2.2190, which is the historic record on the NYMEX since November 1978, when heating-oil futures were first launched there. At the same time, crude oil hit an all-time NYMEX record price, at \$80.18 a barrel, then settled down on Sept. 13 to \$79.75 at mid-morning.

Though objective particulars are offered as explanations for such rising prices, including the fact of "shallow" U.S. heating-oil stocks for Fall, and the prospect of maintenance downtime at refineries, the hyperinflation is in fact consistent with the lack of government intervention to deal with the breakdown of the financial system at large, and the many intensifying patterns associated with that, including speculation in fuels, agro-commodities, and gold, and the drop in the dollar. Meantime, base metals prices are staying relatively level, as industrial and construction demand falls, and certain computer-driven speculation has been knocked out with the demise of the hedge funds. Wheat prices rose above \$9 a bushel—more than double that of a year ago, on the Chicago Board of Trade in overnight trading Sept. 12 (for December delivery).

On Sept. 12, the U.S. Department of Agriculture released its monthly "World Agriculture Supply and Demand Estimates," which reported that world wheat stocks are heading toward a 26-year low. The grain scarcity comes from decades of "global sourcing" for food, driving down infrastructure and agriculture stability, capped off by today's mania of diverting farm capacity to biofuels, not food. New announcements of food price hikes are coming out daily. U.S. mega-baker Sara Lee, and Jimmy Dean meat company said on Sept. 11 that they will continue to raise retail prices.

California Home Foreclosures Soar in August

Sept. 15 (EIRNS)—According to the August report by ForeclosureRadar.com, a company tracking the foreclosure crisis in California, the county with the highest per-capita foreclosure rates for the month was Riverside County, where there was one foreclosure sale for every 1,514 persons. Over the month of August there were 9,477 properties sold at auction, with loan value of \$3.86 billion, a 10.4% increase of the previous month. Of those, 95% went back to the lender. ForeclosureRadar.com found that non-owner-occupied properties accounted for over 44% of the auctioned properties, with a value of \$1.71 billion. These represent the growing numbers of speculators bailing out of their overpriced mortgages.

According to Sean O'Toole, CEO of ForeclosureRadar.com, "Many blame subprime lending for our current real estate crisis, but rampant speculation, even by those with great credit, played a leading role. The subprime market took the first hit.... Now that nearly half of foreclosures represent non-owner occupied properties, it is clear that speculators are walking away too." Over 90% of all foreclosure sales in California were for homes purchased or refinanced in 2005 and 2006.

Big Banks Are Desperate To Unload LBO Debt

Sept. 14 (EIRNS)—The big banks are searching for ways to unload more than \$350 billion of leveraged buyout (LBO) debt they have incurred in financing private equity deals. Unable to find buyers, the banks have begun parcelling it out in small doses, at small discounts to its nominal value.

According to the *Wall Street Journal*, the banks holding debt from KKR's \$22 billion takeover of Britain's Alliance Boots have sold some \$1.5 billion of the debt for 95 cents on the dollar of face value, and banks sold \$1 billion of debt from Allison Transmission for 96 cents on the dollar.

The banks have pulled a similar maneuver by offering to sell \$5 billion of the \$24 billion in debt they are holding on KKR's takeover of First Data. The bank leading the financing group, Credit Suisse, not only offered the debt at 96 cents on the dollar, but also offered to lend the buyers some of the money to buy the debt! The Credit Suisse group also includes Citigroup, Deutsche Bank, HSBC, Lehman Brothers, Goldman Sachs, and Merrill Lynch.

These discounts bode ill for the sale of the rest of the LBO debt, which include the debts from the two biggest LBOs in private equity history: the \$32 billion LBO of Texas electric utility TXU; and the \$33 billion LBO of Canadian phone company BCE, both of which deals the banks agreed to before the bottom fell out of the market.

Possible Auto Strike vs. Big Three Health-Care Scheme

Sept. 14 (EIRNS)—The "Big Three" U.S. automakers fighting off bankruptcy threats are offering far less than expected to the United Auto Workers (UAW) to take over its members' health-care plans, raising the possibility of a national auto strike. The deadline for a contract settlement between the UAW and General Motors was extended today, to allow negotiations to continue. The automakers are now reportedly trying to use the contract talks to shed more than 30% of their total wage/retirement/health-care costs per worker.

Local strike preparations were only ordered by the national union on Sept. 13, according to union local sources cited by the Sept. 14 *Detroit News*, after "the talks took a turn for the worse" on the night of Sept. 12. The head of a Lansing, Mich. local representing GM workers said, "Apparently, from last night until this morning [Sept. 13], everything's changed." GM, after being designated the lead company for negotiations, has also been designated the "strike target" by the UAW—a phrase traditionally used by the union at the negotiations deadline, but one which President Ron Gettelfinger had said, in recent years, he would not use.

The critical problems relate directly to the debt desperation of the Big Three, especially Ford, and the unexpected difficulties of Chrysler's buyout by private equity fund Cerberus, because of the collapse of the leveraged-takeover junk bond market. When the UAW agreed in principle to take its members' and retirees' health plans off the companies' hands for a lump sum—a huge potential benefit cut—the companies responded by demanding an even bigger cut. Against \$114 billion in long-term health-care liabilities for their employees, GM, Ford, and Cerberus/Chrysler had been thought to be offering a one-time "dowry" payment of only about \$71 billion, with the UAW asking \$80 billion. Now, the companies are offering only \$63 billion, not much more than half of the health-care liabilities which the UAW would be assuming for them. In addition, they are refusing to "trade off" this big UAW concession, by dropping other demands for average union wage cuts and jobs cuts.

The union is getting "friendly advice" not only from the "analysts" and financial press, but also from the Lazard Frères bank which it has hired as consultants, that it must take the health plan deal because one or more of the "Big Three"—particularly, Ford—are likely to go bankrupt in the current financial crisis and leave health care unfunded entirely.

World Economic News

Bank of England Bailout; Run on Northern Rock

Sept. 14 (EIRNS)—Few things strike more fear in the hearts of bankers than the specter of a run on the bank, and that fear is now a reality at Britain's Northern Rock, the mortgage bank just bailed out by the Bank of England. News reports and photos from Britain show long lines of frightened depositors at Northern Rock branches, hoping to get their money out before the bank collapses.

Officials and the media poodles are trying to calm the waters, insisting that all is well and advising people not to panic, but the talk is often counterproductive to a frightened public, which understand they are being lied to even if they don't know the details.

The bailout of Northern Rock, Britain's third-largest mortgage lender, is the first bank bailout undertaken by the Bank of England since 1973.

Although the BoE is claiming it is not a bailout, no one believes it, and "Northern Wreck's" shares collapsed by 24% within minutes of the opening of trading today—on top of a prior 46% fall—driving down other bank shares from 2 to 6 percent. The news also drove the pound sterling down to a 14-month low against the euro. With 113 billion pounds (\$226 billion) assets and 800,000 mortgage holders, Northern Rock has been at the center of Britain's enormous mortgage bubble.

No one has revealed how much the BoE lent Northern Rock, but Northern Rock said that the BoE will provide it with as much funding "as may be necessary." The credit will be at the so-called penalty rate, which is one percentage point more than the 5.75 base rate.

Sweden Valiantly Acts To Prolong Market Putrefaction

Sept. 14 (EIRNS)—The Swedish Office of State Debt (OSD) issued new government bonds, and directed the proceeds of the sale straight into private banks as a cash liquidity injection—all in the name of avoiding "panic in the markets." These interventions for stabilizing the interest rate are supposed to be made by the Central Bank, but to everyone's surprise, the office of State Debt has done it instead. The head of the office, Bo Lundgren, revealed on Sept. 5 that the massive interventions on the bond market have been taking place since middle of July. The OSD has issued 50 billion Swedish crowns (5 billion euros) worth of bonds every night since that time. This was confirmed in a televised statement Sept. 12

by the official responsible for bond issues, Thomas Olofsson.

"If these interventions had not been done, there would have been panic in the market," Olofsson stated. The demand for Swedish state bonds has been so great that the market would have disappeared but for these interventions, and the interest rate would have plunged. As there have not been enough bonds available, the State Debt office have issued bonds on the account of the [private] banks."

OECD Report Calls for Scrapping Biofuel Subsidies

Sept. 11 (EIRNS)—A new report by the Organization for Economic Cooperation and Development (OECD) calls on governments to scrap subsidies for biofuels, given the harmful impact bio-energy production is having in pushing up farm commodity and food prices, and on the environment. The report is under discussion in Paris, at a forum on "sustainable" development, attended by government ministers from a dozen nations, including the United States. A record 20%-plus of the current U.S. corn crop is going to ethanol.

"The current push to expand the use of biofuels is creating unsustainable tensions that will disrupt markets without generating significant environmental benefits," says the study, copies of which were obtained in advance by the World Bank, the *Financial Times*, and other media.

The OECD recommendation for ending biofuels subsidies runs counter to the target set in February by the European Union, for achieving a 10% share of all EU transportation energy to come from biofuels by 2020. Soaring food prices internationally have called this into question. The OECD states it: "To harness the real potential of bio-energy and biofuels, an important shift in current expectations and policies is necessary."

However, the OECD, while noting the damage from large-scale grain-for-ethanol, sticks to biofoolish thinking of all kinds, instead of turning to the obvious modern solution—nuclear power.

United States News Digest

Funds for European Missile Defense Slashed

Sept. 12 (EIRNS)—Giving a "no" vote to Bush's provocative European missile deployment, on Sept. 12, the full Senate Committee on Appropriations followed the action taken the day before by its Defense Subcommittee, and slashed a good portion of the funding for the deployment of U.S. missile defense components in Poland and the Czech Republic. This follows similar House action, taken before the Summer recess, on the FY Defense Department budget.

The Senate Committee has cut at least \$85 million from the White House request of \$310 million for the European deployment. The House had cut the request by \$139 million. The bill will have to be passed by the full Senate, and reconciled with the House cuts.

In addition to the "no" vote from Congress, the majority of Polish and Czech citizens polled don't want the missile defense in their countries, either.

McConnell Admits New Spy Law Did Not Foil Terror Plot

Sept. 13 (EIRNS)—The admission by Director of National Intelligence Mike McConnell that the new so-called legal

wiretapping law that was passed before the August Congressional recess helped to foil the terror plot in Germany, has been shown to be false. McConnell has been forced to withdraw his assertion that he made at a Sept. 10 hearing held by the Senate Committee on Homeland Security chaired by Sen. Joe Lieberman (I-Conn.).

After his testimony, Democrats challenged McConnell, with House Judiciary Committee chairman John Conyers (D-Mich.) requesting a clarification, and House Intelligence Committee chairman Silvestre Reyes (D-Texas) sending McConnell a letter asking for a public correction. The letter read, in part, "While revising FISA may provide a tool that could enhance future operations, it was not in play in the Germany case. In fact, FISA, which you repeatedly claim is 'outdated,' was precisely the tool that helped disrupt this plot."

Michael Isikoff of *Newsweek* interviewed four intelligence community officials who said that the new law played little or no role in the German intelligence, which came from military intelligence, and the exchange of information with the Germans took place months ago.

Democrats, who had already complained about being stampeded into passing the new law, are charging McConnell with playing politics on behalf of the White House. The surveillance law was passed on an emergency basis and is due to expire after six months, and McConnell's testimony had been seen as a strong argument for its renewed authorization.

Congressmen Demand Moratorium on Spy-Satellite Program

Sept. 10 (EIRNS)—Congressional leaders from the House Homeland Security Committee have demanded a moratorium on a "Cheney-esque" program to use data from military spy satellites for domestic law enforcement purposes. The demand follows the previous week's hearing at which both Democrats and Republicans expressed their anger at the Bush Administration's announcement of the program to make satellite imagery and sensory data available to domestic agencies. The Administration's announcement was made in the *Wall Street Journal*, without any briefing to the Congressional oversight committees.

Reflecting concerns raised in the hearing, Committee chairman Rep. Benny Thompson (D-Miss.) and two subcommittee chairman, Rep. Jane Harman (D-Calif.) and Rep. Christopher Carney (D-Pa.) called for a moratorium on the program "until the many Constitutional, legal and organizational questions it raises are answered." Among the concerns cited, are privacy and civil liberties safeguards, and whether the program conforms with the Posse Comitatus law, which prohibits military involvement in domestic law enforcement.

The program represents the implementation of the recommendations of a 2005 "Blue Ribbon Study," commissioned by the interagency Civil Applications Committee, which recommended "dramatic change" in the way intelligence agencies' data is provided to domestic agencies, and recommended the creation of a "Domestic Applications Office" in the Department of Homeland Security to coordinate access to intelligence capabilities by domestic agencies. This is what is now being done, except that the new DHS office is being called the "National Applications Office."

A witness at the Sept. 6 hearing, Lisa Graves of the Center on National Security Studies, stated in her written testimony that: "The report concludes by positing a very troubling, Cheney-esque point of view, claiming that the Church and Pike Committee investigations 'created a hyper-conservative view of what can be done'"—a reference to the 1970s Congressional investigations of intelligence abuses. A number of observers have pointed out that Dick Cheney never accepted the findings of those investigations and the intelligence reforms which ensued.

LaRouche: Kean and Hamilton Duck the British Issue

Sept. 9 (EIRNS)—Lyndon LaRouche responded today to an op-ed in the Sunday *Washington Post* by Thomas Kean and Lee Hamilton, the co-chairs of the 9/11 Commission, entitled "Six Years Later, Are We Safer Today?" by saying that they are ducking the issue. Kean and Hamilton write as follows: "Outside our borders ... the threat of failure looms. We face a rising tide of radicalization and rage in the Muslim world—a trend to which our own actions have contributed. The enduring threat is not Osama bin Laden but young Muslims with no jobs and no hope, who are angry with their own governments and increasingly see the United States as the enemy of Islam.... U.S. foreign policy has not stemmed the rising tide of extremism in the Muslim world.... We have lost ground.... We are also failing in the struggle of ideas.... U.S. policy choices have undermined support.... No word is more poisonous to the reputation of the United States than Guantanamo.... No question inflames public opinion in the Muslim world more than the Arab-Israeli dispute.... And finally, no conflict drains more time, attention, blood, treasure, and support from our worldwide counterterrorism efforts than the war in Iraq. It has become a powerful recruiting and training tool for al-Qaeda."

LaRouche said that the issue they are ducking is the that the policy which they identify is actually an Anglo-American policy, which comes primarily from the British, and is then echoed by Vice President Dick Cheney. The policy of a "clash of civilizations" with Islam is the concept of Samuel P. Huntington and Bernard Lewis. It is a policy which is promoted by the British or more accurately the British Empire. And its purpose is to induce the U.S. to destroy itself. This is the problem we are facing.

Lynne Cheney Ally Demands Surveillance of Students

Sept. 12 (EIRNS)—Candace de Russy, a leader of the Lynne Cheney-headed movement for a crackdown on campus resistance to the Bush-Cheney Administration, has called for increased secret-police surveillance of students and the elimination of civil liberties.

Writing Sept. 11 in William F. Buckley's *National Review* online, de Russy praises a report on Islamist influence among American students, which claims that such influence is producing a new generation of young terrorists. The report, entitled "Radicalization in the West: The Homegrown Threat," was published in August by the New York Police Department (NYPD) Intelligence Division.

De Russy says the report "zeroes in on the Muslim Student Association ... which up until now law enforcement authorities have refrained from prominently singling out." She complains that "protests of 'government spying on campus'" have deterred the FBI and police from counterintelligence operations at U.S. schools, and cites arch neo-conservative Steven Emerson on "the need to disrupt militant clusters within such groups through intelligence-gathering, such as the use of informants and covert surveillance"; she also suggests that security agencies should "recruit reliable informants who are in a position to know."

She concludes by asserting that the NYPD report "implicitly forces us all ... to [recognize] that in order to protect our lives in face of homegrown and foreign terror, we may have to limit our constitutional protections."

Ibero-American News Digest

Quito Radio Hosts LaRouche Spokesmen on Financial Crisis

Sept. 12 (EIRNS)—Radio 530 AM of Quito, Ecuador hosted a dialogue between Pedro Paez, head of the Presidential Commission on the Bank of the South in Ecuador, and *EIR*'s Ibero-America editor Dennis Small this morning. The half-hour dialogue was organized by Patricio Pillajo on his show *Popular Opinion*, where Lyndon and Helga LaRouche have also been interviewed in the past. Paez is an economist who is close to President Rafael Correa, and whose wife is the

current Minister of Social Welfare in the Correa government.

Pillajo asked for LaRouche's evaluation of the current mortgage and international financial crisis, and how Ecuador could protect itself under such conditions.

Paez explained that a new financial architecture was required, and that the Bank of the South was part of that effort. He said that much depends on how the U.S. solves its current crisis. In the meantime, we have to organize ourselves, defend our sovereignty, and find ways to not be subject to the whims of the international financial markets and defend our productive activity. Ecuador is particularly vulnerable because of the dollarization that was forced on the country.

Small developed LaRouche's analysis of the global breakdown crisis, and explained that the mortgage blowout in the U.S., like Ibero-America's unpayable debt, are both symptoms of that same crisis. LaRouche's concept for solving them is conceptually the same: create a firewall to protect essential productive functions, and put the illegitimate financial bubble through a process of bankruptcy reorganization. The Bank of the South will only work if it is part of such a global effort.

U.S. Mortgage Lenders Seek Victims in South America

Sept. 10 (EIRNS)—With the meltdown of the U.S. mortgage market, some mortgage lenders are desperately looking outside the country for anyone who might borrow from them. An astonished Chilean activist reported to EIR News Service today that she had just received an e-mail from a Florida-based mortgage company announcing, "It's time to get the house of your dreams in the U.S.A.!"

Family First Mortgage Corp., based in Palm Beach, has sent one of its branch managers to Santiago for ten days to promote its "fabulous program for Chileans who want to buy houses in the U.S." "This smells like a scam," the activist said.

And then there's the case of real estate mega-speculator Donald Trump, who just announced that his Developers and Builders Alliance (DBA) is opening offices in Buenos Aires, as the headquarters for a region-wide real estate investment offensive. One of the biggest contributors to the growth of the speculative real estate bubble over recent years, Trump now reportedly feels that Argentina and its neighbors are a more "secure" market than the U.S. "There are a lot of U.S. investors who are looking for a place to put their money, given the U.S. mortgage crisis, and Buenos Aires is an interesting place," DBA president Veronica Mendieta told Argentina's *Infobae Profesional*.

Will Lula's Deal with Speculators Return to Bite Brazil?

Sept. 11 (EIRNS)—During his recent European tour, Brazilian President Lula da Silva was asked during a stop in Helsinki Sept. 10 if Brazil planned to take any new protective measures after the Sept. 7 warning from the Bank for International Settlements meeting that developing-sector nations "are not immune" to the ongoing world financial crisis. In response, the Brazilian President lashed out at the United States, demanding that its government and the central banks of other countries "do something" to resolve "their" financial crisis, which "Brazil did not create and does not suffer. Investment funds "wanted to buy risky debt, imagining they were in a casino." We don't accept that we should be hurt by a game in which we didn't participate "because of bettors that try to make easy money, instead of making money by working," Lula said.

Brazil may not have created the speculative game, but Lula can't say Brazil didn't participate in it. Committed to its deal with Spain's Santander Bank, FleetBoston, and other international interests, the Lula Administration spent its first four years playing by globalization's rules and continuing the destructive "finance first" policies of his predecessors, on the grounds that Brazil needed to attract sufficient speculative foreign capital to avoid—he hoped—another financial collapse. Brazil, in fact, was one of the prime "beneficiaries" of the yen carry trade, since international speculators could make

stratospheric interest rates on Brazilian government bonds. Lula's wishful thinking aside, those chickens may come home to roost.

Chile's Private Pension System Was Always Run by Banks

Sept 4. (EIRNS)—Former Chilean President Eduardo Frei, who is now the head of the Senate, inserted a dose of reality into the current debate on President Michelle Bachelet's proposed reform of Chile's private pension system, first imposed on the country by the Pinochet dictatorship in 1981.

Intended to be the centerpiece of Bachelet's social policy, the reform calls, among other things, for national and foreign banks to co-participate in the system and control their own private funds, or AFPs, supposedly to enhance competition. This issue has become a point of contentious debate in both houses of Congress, but former President Frei stated on Sept. 3 that this debate is "absurd and ridiculous." Frei pointed out that private banks have always controlled the private system. The Provida AFP "is controlled by a bank. Santander [Bank] controls another one that's about to be sold," Frei said. "Let's not kid ourselves. The banks have controlled the primary AFPs from the start."

However, Frei's critique of the privatized pension system is inadequate. Rather than proposing a fully sovereign national pension system and an end to private banks' stranglehold over workers' retirement funds, he instead proposes to invite the one state-owned bank, BancoEstado, to participate as well, to hopefully offer lower commissions and better terms to workers than the private predators.

López Portillo's Specter Walks in Mexico, Again

Sept. 10 (EIRNS)—Twenty-five years after President José López Portillo nationalized Mexico's banking system and took it out of the hands of the speculators, a closed door seminar was held in Mexico City Sept. 7, organized by Amparo Espinoza, the daughter of banker Manuel Espinoza Iglesias, one of the top financial criminals affected by López Portillo's Sept. 1, 1982 nationalization. Also present were several other "ex-bankers," including Agustín Legorreta and Carlos Abedrop, former members of López Portillo's cabinet, and Jos@aae Ramón López Portillo, the President's son and top adviser during his Presidency.

The bankers' argument was that the senior López Portillo had nationalized the banks, imposed exchange controls, and broken with the IMF because he was drunk with power, and wanted to justify himself historically. Never again, the bankers pronounced,, should Mexico fall into such populism. But José Ramón, like his father until his dying day, refused to apologize for his father's defense of Mexico's sovereignty, and defended his father's measures, a number of which he helped draft. He told the media, humorously, on the way in: "I'm the piñata of the party; they're all going to try to club me."

The bankers' faction is nervous because López Portillo's specter is afoot in the country again, and Lyndon LaRouche has had a hand in that. In repeated international broadcasts over the Summer of 2007, LaRouche warned that Mexico will be destroyed as a nation, if its people continue to "spit" on its hero López Portillo. As President of Mexico, López Portillo gave an address in October 1982 at the United Nations, which "should be heard by anyone who is a patriot anywhere within the vicinity of the Western Hemisphere today, as an example of a patriot, whose country had just been destroyed on orders, who stood up like a man as a President, to defend the honor of his country," LaRouche stated in an Aug. 28 webcast. LaRouche's declaration circulated widely among Mexico's top military officers, and at the country's universities.

Western European News Digest

LaRouche: Terror Threats Target U.S.-Russia Cooperation

Sept. 7 (EIRNS)—Reviewing the pattern of terror threats and provocations which have recently been publicized and spurred arrests in Europe, Lyndon LaRouche said today, "This is coming from London. Britain is determined to prevent U.S.-Russian cooperation." Without that U.S.-Russian cooperation, he said, you can't have peace in Southwest Asia. Peace can't be achieved simply through cooperation of forces within that region; the British have enough points of control and influence to prevent it.

The British are provoking the following destabilizations, either directly, or else through their continuing Sykes-Picot networks: Algeria, where an attempt was made on the life of President Abdelaziz Bouteflika by a suicide bomber; in Denmark, where the "al-Qaeda networks" have been provoked by a new "Mohammed cartoon"; in Germany, where radical converts to Islam were arrested with large quantities of explosives; and in France, where Basque ETA activists were arrested with explosives and plans.

Brits Tell Belgium: 'Countries Come and Go'

PARIS, Sept. 13 (EIRNS)—London's imperial mouthpiece *The Economist* first put out the word on Sept. 6 to "call it a day," i.e., to end the existence of Belgium, because "the country has become a freak of nature, a state in which power is so devolved that government is an abhorred vacuum. In short, Belgium has served its purpose.... Belgians need not feel too sad. Countries come and go."

The French media are jumping on the British bandwagon, amplifying the Tavistock grin fully deployed to make the Belgian case the start of a balkanization process in Europe.

LaRouche: UNSC Should Reach Consensus on Serbia

Sept. 9 (EIRNS)—Serbia's foreign ministry today asked the United States for a clarification of a recent State Department statement that the U.S. would recognize the independence of Kosovo if the UN Security Council did not reach a consensus. Moreover, Serbian Prime Minister Vojislav Kostunica said in a letter to the UN that Serbia "is faced with a direct threat by the United States that it will recognize the independence of Kosovo illegally."

Lyndon LaRouche stated that the Security Council should reach a consensus. Any nation which acts unilaterally, rather than reaching a consensus, should be thrown off the Council as a war monger in violation of the UN Charter.

Pope Meets with Leaders of Syria, Saudi Arabia, Israel

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

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

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

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

Zapatero Visit to Banco Santander Not Reassuring

Sept. 8 (EIRNS)—During a highly-publicized visit Sept. 5 to the Madrid headquarters of the British monarchy-controlled Banco Santander, Spanish Premier José Luis Rodríguez Zapatero loudly proclaimed that the Spanish economy is in excellent shape, and well-positioned to face "turbulence" in the financial markets as well as recent problems in Spain's real estate market. Don't worry, he said, Spain's economy and its financial institutions are "international models of solvency and efficiency."

But in the real world, Spain's real estate market is in extreme meltdown. And French bankers are warning that Banco Santander itself could well be swamped in the next wave of big banks to go under, because of its enormous exposure to the U.S. subprime market.

Subprime Crisis Hits Britain Directly

Sept. 11 (EIRNS)—The subprime mortgage crisis has today claimed its first British victim: Victoria Mortgage Funding, a specialist in subprime lending, announced that it will be closing its doors Sept. 17. Victoria is run by the New York-based Venturion Capital, and its entry to the British market two years ago, marked the internationalization of the subprime lending "contagion," as characterized by the *Australian Business Journal*, which nervously noted its passing. In its coverage, the ABJ noted that Barclays Capital and UBS were the main financiers, and they are believed to have withdrawn their funding, leading to the shutdown. "This is the first of potentially a number of businesses that will have difficulties," said one analyst.

Worse still, British mortgage rates will rise soon, affecting a large share of the 17 million British mortgaged homeowners. The London *Daily Telegraph* reports that already, a quarter million homeowners will see their payments increase by 200 pounds (\$400) a month after October.

Southwest Asia News Digest

Is the White House Now Starting a WMD Campaign vs. Syria?

Sept. 14 (EIRNS)—Andrew Semmel, acting U.S. deputy assistant secretary for nuclear nonproliferation, said in Rome that Syria was on the U.S. nuclear "watch list," and asserted that foreign technicians were in the country, and argued sophistically that the U.S. knows that there may have been contacts with suppliers for nuclear equipment. Semmel is in Italy for a Sept. 15 meeting on the Nuclear Nonproliferation Treaty, and was questioned by reporters about an Israeli airstrike in northern Syria last week.

Semmel said, according to Associated Press, that "there are indicators that they do have something going on there.... We do know that there are a number of foreign technicians that have been in Syria. We do know that there may have been contact between Syria and some secret suppliers for nuclear equipment. Whether anything transpired remain to be seen," he said. "There are North Korean people there. There's no question about that. Just as there are a lot of North Koreans in Iraq and Iran," he explained. "We're watching very closely. Obviously, the Israelis were watching very closely," he added.

Moussa Questions Goals of Mideast Peace Conference

Sept. 13, 2007 (EIRNS)—French Foreign Secretary Bernard Kouchner held two joint press conferences in Egypt on Sept. 13. At the first, with Arab League General Secretary Amr Moussa, Kouchner said that the upcoming Middle East peace conference should be tackled with caution in order to be effective. Kouchner also said that, "We should play an efficient role for realizing a comprehensive fair peace in the region."

Arab League General Secretary Amr Moussa responded that, "So far, the Arab side has not been informed of any preparations for the conference, which is to take place in November, which raises question marks about the goals of the conference and its agenda." Moussa added that no Arabs would take part in a peace conference whose agenda was unclear.

Kouchner then held a second press conference in Cairo with Egyptian Foreign Minister Ahmed Abul-Gheit. Abul-Gheit said that communications between Egypt, the U.S., and other international parties did not reveal any U.S. vision regarding the conference. Abul-Gheit added that, "holding this conference, which aims at pushing forward the peace process, without agreeing on establishing a Palestinian state will lead to serious consequences."

As *EIR* reported in its Sept. 7 article, "Peace Conference or Hot Autumn?" Vice President Dick Cheney, and his ally Elliott Abrams of the National Security Council, are making sure that there will be no serious agenda—Syria and Hamas are to be excluded from the "peace conference," and the central issues of the Palestinian right of return, the city of Jerusalem, and the 1967 borders of a two-state solution will not be discussed. Washington-based intelligence sources have told *EIR* that with this sabotage, the Saudis will not attend, and probably there will not be a November meeting at all.

EI Baradei Walks Out as EU Attacks the IAEA, Iran

Sept. 11 (EIRNS)—Dr. Mohamed ElBaradei, director of the International Atomic Energy Agency (IAEA), walked out of the Sept. 11 board of governor's meeting in Vienna, to protest the European Union attack on Iran and on his agency's efforts to peacefully resolve remaining nuclear energy issues through negotiations. Portuguese ambassador Joaquim Duarte delivered the EU speech, which diplomats attending the closed-door meeting told AFP, attacked Iran for not adhering to UN Security Council resolutions, and barely mentioned the timetable the IAEA has worked out with Iran to resolve outstanding issues. "The Europeans gave a nasty statement, and the director general walked out of the room," a diplomat said.

AFP reports that just before the EU speech, ElBaradei had received a very supportive statement from the Non-Aligned Movement; that it shares the view that the work plan and timetable "is a 'significant step forward,' and reiterates its full confidence in the impartiality and professionalism of the Secretariat of the IAEA, and its Director General."

Cheneyacs Throw a Fit Over ElBaradei/IAEA Report

Sept. 12 (EIRNS)—The U.S., Britain, and the European Union failed to turn the Sept. 11 meeting of the IAEA into a "showdown" against Iran, with a large fraction of the 35-member board of governors continuing to support Agency head Mohamed ElBaradei in his recommendations to continue negotiations in good faith with Iran.

So, now the Cheneyacs are reportedly pursuing a two-track confrontation with Iran: 1. a military strike against the Revolutionary Guard, and other locations in Iran, based on the hyped-up allegations that Iran is behind terrorism in Iraq; and, 2. going to the United Nations to push for more crippling economic sanctions, paired with a UN sanctioned clause in a resolution that would allow a military strike over Iran's refusal to give up enriching uranium for peaceful purposes.

After failing to get the board of governors to reject ElBaradei's recommendations, the Bush Administration announced today, through State Department spokesman Sean McCormack, that it would host a meeting on Sept. 21 to discuss

"broadening UN sanctions against Iran for its refusal to suspend nuclear activity," reported Reuters. The meeting will include the U.S., United Kingdom, Russia, China, and France (the "Permanent Five" members of the UN Security Council), plus Germany, and will be "centered largely on a discussion of what sanctions will be included" in a new UN Council resolution, said McCormack. But, U.S. intelligence sources have told *EIR* that China is prepared to block any new sanctions, and it is possible that a Security Council effort to block Iran's nuclear energy enrichment program could even fail to get the required number of votes.

Iran Clarifies Nuclear Issues; U.S. Rejects IAEA Policy

Sept. 13 (EIRNS)—Speaking at the IAEA board of governors meeting on Sept. 12, the Iranian ambassador to the IAEA Ali Asghar Soltanieh cleared up several remaining issues regarding Iran's nuclear program, IRNA reported. He said that Mohamed ElBaradei's latest report on Iran was a "major step forward," adding that the Iranian initiative has brought a new atmosphere for Iran-IAEA cooperation. "Iran is hopeful for maintenance of the current friendly atmosphere created after signing of the modality plan, and at the same time, the political atmosphere is well-prepared for the special states to go ahead with talks with Iran." He criticized certain states for "questioning the merits of the Iran-IAEA modality agreement," meaning the U.S. and UK.

Soltanieh reviewed the main points of the IAEA-Iran agreement, referencing the Safeguards Approach and the Facility Attachment for the enrichment facility at Natanz, as well as inspections at the heavy water research reactor in Arak and Iran's having issued multiple annual visas for the inspectors and the staff members of the IAEA. Regarding other issues, he said, "Iran has agreed to start implementation of the first remaining issue—plutonium experiments." Here he nailed the U.S. for claiming that the program was a military one. "Despite Iran's continued assertions that no further experiments have been made and the materials and information provided to the agency are comprehensive and correct, a certain state tried to make a big political issue out of it, and declared repeatedly in the course of the meetings of the Board of Governors during the past four years that that issue illustrates the developing threat of Iran's plutonium weapons program." He concluded by referring to the important statement in the IAEA-Iran agreement, and in ElBaradei's latest report on Iran, that the agency confirmed that the past declaration of Iran is consistent with the agency's finding, and thus the matter is resolved.

Gates: We Don't Need Cross-Border Attack on Iran

Sept. 16 (EIRNS)—Defense Secretary Robert Gates appeared on FOX-TV this morning, where he was confronted by host Chris Wallace on statements by Gen. David Petraeus that Iran was training insurgents inside Iraq, Gates flatly said there is a "question ... of just how much intelligence we have," on that allegation, and that the "general view" is that we can manage Iran "inside the borders of Iraq" and we "don't need to go across the border into Iran." He also insisted that "the President believes at this point that dealing with Iran," through the "diplomatic and economic approach, is the one that we are pursuing."

Putin Will Visit Iran in October

Sept. 12, 2007 (EIRNS)— Russian President Vladimir Putin will visit Tehran on Oct. 16, to participate in a summit of Caspian Sea littoral states and hold talks with the Iranian regime.

Iranian Foreign Minister Manouchehr Mottaki announced the visit on Sept. 11, upon his arrival in Moscow for the sixth meeting of the Iran-Russia Joint Economic Commission meeting. During his two-day stay, Mottaki is expected to meet with Russian Prime Minister Mikhail Fradkov, the speaker of the State Duma, Boris Gрызлов, and the Director of the Federal Atomic Energy Agency (Rosatom), Sergei Kiriyyenko.

Asia News Digest

Japan's Prime Minister Abe Resigns

Sept. 12 (EIRNS)—Japanese Prime Minister Shinzo Abe resigned today, after less than a year in office, unable to overcome opposition demands that Japan cease its aid to the U.S.-led war in Afghanistan (and possibly, covertly, Iraq).

The impact of the political crisis on the unravelling yen carry trade—whose collapse could detonate a final explosion of the teetering world financial system—is not yet clear.

Abe's Liberal Democratic Party will choose a new leader, who will become the Prime Minister, as soon as possible, trying to resist pressure to call new elections, which they would likely lose.

The Liberal Democratic Party (LDP), which has ruled postwar Japan almost exclusively, was soundly defeated in upper house elections in July by the opposition Democratic Party, led by Ichiro Ozawa, primarily over repeated scandals within Abe's cabinet. Abe had refused to step down after that defeat, as is customary in Japanese politics.

However, Ozawa and the Democrats have now refused to extend the Anti-Terror Law, under which Japanese ships have been fueling coalition ships in the Indian Ocean which are engaged in the Afghan war. Abe, and his predecessor Junichiro Koizumi, have claimed this is not a breach of the Japanese Constitutional restriction against military operations other than self-defense. Abe said this week that he would resign if he could not persuade the Diet to extend the law which expires Nov. 1, but Ozawa would not even meet with him to discuss it.

Adm. Eiji Yoshikawa, chief of staff of the Maritime Self-Defense Force, refuted claims by U.S. Ambassador Thomas Schieffer that Pakistani destroyers would not be able to continue operations if Japan dropped out of the multinational force. According to *Asahi Shimbun*, Yoshikawa told a news conference a few hours before Abe's resignation that the United States is fully capable of replacing the Japanese role.

Further, the Democratic Party announced this morning, before Abe's resignation, that it will use its enhanced investigative powers in the upper house to investigate reports that the Japanese ships in the Indian Ocean have also been used to refuel American warships engaged in Iraq. The report came from a posting on the website of the U.S. Navy's Fifth Fleet, saying that Japan had contributed 86 million gallons of fuel to Operation Iraqi Freedom. The posting was subsequently removed.

Economic Traditionalist Fukuda Will Likely Replace Abe

Sept. 14 (EIRNS)—Yasuo Fukuda, the 71 year-old son of former Japanese Prime Minister Takeo Fukuda, will likely become the next Prime Minister after LDP leadership elections on Sept. 23. This is upsetting Rupert Murdoch's *Wall Street Journal*, since Fukuda is seen as a traditionalist who will slow down or reverse the free-trade "reforms" launched by neo-con darling Junichiro Koizumi and his protégé, Shinzo Abe, who resigned this week.

The *Journal* complained today that a Fukuda victory could result in "backsliding from Mr. Koizumi's small-government policies. That could mean more public spending to bolster the economies of hard-up provinces and regulation to protect weak industries." Even worse, in the eyes of the *Journal*, a Fukuda government could cause "delays in possible corporate-tax reduction and in the privatization of the giant Japan Post," the huge postal saving bank. Abe led the campaign for the speculators to steal this fund, which has over \$2 trillion in savings, and another \$1 trillion-plus in insurance. The Post has traditionally invested in infrastructure development.

Fukuda, who is a member of the largest faction in the LDP (now led by Foreign Minister Nobutaka Machimura), served in Koizumi's government, but resigned in 2004, when he criticized Koizumi for his anti-China provocations, including his regular visits to the Yasakuni Shrine. The *Journal* noted that Fukuda is "said to be the Japanese politician most trusted by China."

Fukuda has won the endorsement of all the leading factions, as well as top cabinet members and Koizumi himself.

Japan Will Pull Out of U.S. War in Afghanistan

Sep. 13 (EIRNS) - One result of the resignation of Japanese Prime Minister Shinzo Abe, is the almost certain pullout, at least temporarily, of the Japanese Maritime Self Defense Fleet from the Afghan war. The Fleet has been refueling coalition warships in the Indian Ocean since 2003, despite constitutional restrictions on military operations overseas (other than UN-mandated peace-keeping missions). Former Prime Minister Junichiro Koizumi rammed through an anti-terrorist bill for his friend Dick Cheney after 9/11, which simply declared that such refueling was "self-defense." The bill has been regularly renewed, but the upcoming Nov. 1 renewal date will almost certainly not be met.

The opposition Democratic Party of Japan (DPJ) swept the upper house elections in July largely based on its opposition to this breach in the pacifist constitution, and the alliance with the Cheney faction it represents. DPJ head Ichiro Ozawa's refusal to compromise on this issue was one cause of Abe's resignation.

The *New York Times* today quotes former Defense Minister Gen. Nakatani, who helped pass the authorization of the military operations in 2001: "It's now 100 per cent sure that our ships will have to come back at least once." The supporters of moving Japan out from under the pacifist restrictions in the Constitution will try to renew the bill at a later date, Nakatani said.

Likely Next S. Korean President Drops Anti-North Posture

Sept. 11 (EIRNS)—The South Korean opposition Grand National Party's Presidential candidate, Lee Myung Bak, the likely winner of the Dec. 19 South Korean Presidential election, has just revealed his policy regarding North Korea, which represents a dramatic shift from the GNP's historic opposition to the "Sunshine Policy" of cooperation with the North.

Upon North Korea denuclearizing, as has been agreed at the Six-Party talks, Lee's new policy will take effect. It consists of a consultative body being formed, which will represent both Koreas, with five subcommittees, on economy, education, finance, infrastructure, and welfare.

This policy is just the beginning, says Lee, for a much broader South Korea regional policy for Northeast Asia economic cooperative relations, with South Korea providing capital and technologies, with North Korea's highly skilled labor and Russia's bountiful resources working together. This is to be the main contributor for a new Inter-Korean Relationship.

Japan Launches the Largest Lunar Mission Since Apollo

Sept. 14 (EIRNS)—Japan has successfully launched and put into Earth orbit its Selene lunar orbit explorer, Japan's Aerospace Exploration Agency (JAXA) announced today. The agency said that the launch of Selene, which is also called KAGUYA and has been subject to delays for four years due to technical problems, was carried out by an H-IIA launch vehicle at 10:31 a.m. local time, according to Ria Novosti. "The launch vehicle flew smoothly, and, at about 45 minutes and 34 seconds after lift-off, the separation of the KAGUYA was confirmed," JAXA announced.

The spacecraft will orbit the Earth twice, and after 20 days, it will head for the Moon, reaching its orbit about 100 km above the Lunar surface by the end of October. The selenological and engineering explorer Selene is Japan's first large lunar explorer. It consists of a main orbiter and two small satellites.

This mission is the largest Lunar mission since the U.S. Apollo program, examining the Moon for information on its elemental and mineralogical composition, surface and sub-surface structure, and its magnetic and gravitational fields.

Roh: South Korea To Become a Leader in Fusion Energy

Sept. 14 (EIRNS)—South Korea will become one of the world's top five countries developing nuclear fusion, President Roh Moo-hyun said today, at the dedication ceremony for the Korea Superconducting Tokamak Advanced Research (KSTAR) facility at the National Fusion Research Institute. The reactor, which uses advanced superconducting magnets, was developed over 12 years. "South Korea has to overcome its weakness as a resources-poor nation, with advanced technologies," Roh told the 400 fusion scientists, diplomats, and guests at the dedication. "The KSTAR reactor, independently designed and built by South Korean scientists, demonstrates the nation's status as a technology power." Technology developed for KSTAR will be applied to the ITER project.

South Korea long ago made the decision to deal with its paucity of natural resources by going nuclear. Minister of Commerce, Industry, and Energy, Young-Ju Kim, announced Sept. 13 that he had approved the construction of two new nuclear plants, Shin-Kori units 3 and 4, to produce 1350 MW each, with a design life of 60 years. They will come on line in 2013 and 2014. These new plants use the new APR-1400 design of Doosan Heavy Industries. South Korea operates 20 nuclear reactors, producing 40% of its electricity; two other reactors, under construction, are 35% complete.

Africa News Digest

Eskom To Build All South African Nuclear Power Plants

Sept. 10 (EIRNS)—The South African Cabinet meeting of Sept. 5, resolved that Eskom (the state electrical power utility) will build all nuclear power plants in South Africa, according to the South African Press Agency (SAPA), citing the cabinet memorandum of the meeting, which was published today.

The government plans to increase the portion of power generated by nuclear plants from the present 6%, to at least 30% by 2030, which will add 20,000 MW of generating capacity.

South Africa is committed to building at least one more conventional nuclear power station, which is scheduled to be operational by 2012. After that, the mostly state-owned pebble-bed modular reactor program (PBMR) will begin with the construction of up to 24 small, 165 MW nuclear plants by 2030. The department of public enterprises said foreign investors would be able to buy into the PBMR company, but the stations would be owned and operated by Eskom, according to the SAPA release.

Eskom is investigating sites for its next nuclear power station at Thyspunt, near Cape St. Francis in Eastern Cape, at Bantamsklip, near Pearly Beach in Western Cape, and at Port Nolloth or Kleinsee, in Northern Cape.

The same cabinet meeting appointed Eskom to be the sole buyer of power from independent power producers, according to government spokesman Themba Maseko, as reported in the online "Business Report," Sept. 6.

Maseko said the policy was meant to ensure that the responsibility and accountability for the construction of power generation capacity was coordinated, and provided certainty to the private providers. He added that over the next 20 years, Independent Power Providers would build more than 50% of all non-nuclear power plants.

Maseko pointed out that the Minerals and Energy Department would develop an integrated resource plan to define the magnitude of power generation capacity needed to meet the country's electricity demands.

According to a South Africa Broadcasting Corporation report Sept. 6, citing Eskom chief executive officer Jacob Maroga, Eskom has warned that South Africa may face more power failures and supply shortages next Winter.

Pope Benedict XVI Receives Sudanese President

Sept. 14 (EIRNS)—The Vatican Press Office reports that Sudanese President Omar Hassan Ahmed El-Bashir was received this morning by Pope Benedict XVI. The President also met with Archbishop Dominique Mamberti, secretary for relations with states, who until last year, was apostolic nuncio in Khartoum.

They discussed the political situation in Darfur, and the Comprehensive Peace Agreement between northern and southern Sudan, which had ended a long civil war.

The communique stated that positive views were expressed concerning the new peace negotiations for Darfur, which are to begin Oct. 27 in Libya: "It is the Holy See's heartfelt hope that these negotiations prove successful in order to put an end to the suffering and insecurity of those peoples, ensuring them the humanitarian assistance to which they have the right, and initiating development projects."

They also discussed "the importance of inter-religious dialogue and of collaboration between believers in all religions—in particular Christians and Muslims—for the promotion of peace and the common good. In this context, the positive role of the Catholic Church and her institutions in Sudanese society was reiterated, especially in the field of education."

New Anti-Government Rebel Group Emerges in Northern Sudan

Sept. 14 (EIRNS)—A recently formed rebel group in Sudan, called the Kush Liberation Front, is calling for armed resistance to overthrow the central government, which it accuses of oppressing Nubians, according to the Aug. 31 *Los Angeles Times*.

The unrest was kicked off by a government proposal to build two or three electricity-producing dams on the Nile River in the Nubian heartland, about 350 miles north of Khartoum, and about 100 miles from the Egyptian border. Having a separate language and culture, the Nubians are thought to be one of Africa's oldest civilizations. Nubian kings reigned over Egypt for a time around 730 BC.

The dams would force many of the 300,000 Nubians to relocate, and would submerge many unexplored Nubian archeological sites. Nubians reportedly see the new dams as a plot by Arab governments in Egypt and Sudan to exterminate their communities and seize the land, according to the *Times*.

The co-founder of the liberation movement is Abdelwahab Adem, a former Nubian businessman now based in London, who said: "Our efforts will not succeed unless they are backed by military action. We want to get rid of the Arabs. Our goal is to realize a new Sudan, by force if necessary." He said they would rely on "guerrilla fighting," and would target Khartoum and other large Sudanese cities.

Adem said "We have good relations with our brothers in Darfur," and some reports indicate that the Darfur rebels are a potential source of weapons and training for the Kush Liberation Front.

Chinese engineers are already installing equipment at one of the sites, which the government says is only a feasibility study, but the Nubians think it is the beginning of the project.

The foreign affairs chairman in Sudan's parliament, Osman Khalid Mudawi, said: "It's going to economically transform the area." He thought a lake created by the dam would irrigate 750,000 acres of newly arable land.

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