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[Attention: Patriots!](#)

[What Must Be Understood](#)

[by Lyndon H. LaRouche, Jr.](#)

From the beginning of the systematic European colonization of North America, during the early Seventeenth Century, the patriotic currents which generated U.S. independence organized what became, in the course of time, the leading national intelligence organization of the U.S.A.; such was the Society of the Cincinnati, as a private organization. That tradition, however wounded and seemingly frail, persists, still, inside the U.S.A. today. There are comparable experiences in other nations. Contrary to some widespread doctrines, the successful making of history is not limited to the conduct of presently adopted official policies; the future of any nation depends upon the creation and adoption of fundamental scientific and other necessarily revolutionary discoveries, on which the continued vitality of any culture depends. The case of the Society of the Cincinnati is, like the tradition of the rigorous Classical composition of J.S. Bach through Beethoven and Schubert, among the best illustrations of that point....

[**In-Depth articles from Vol. 34, No. 43**](#)

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Feature

[Attention: Patriots!](#)

[What Must Be Understood In American History](#)

Lyndon LaRouche explains, the Society of the Cincinnati best illustrates the importance of private individuals securing the survival of our republic, given that the dying out of the generation of relevant patriots from among the veterans of the 1939-1945 war has left the U.S.A. with governing strata which are far more poorly equipped, culturally and intellectually, to cope with the breakdown-crisis of the world's present monetary-financial system, and to launch a new world monetary-credit system. LaRouche writes that history cannot be made only by carrying out existing official policies. The future of any nation depends upon the creation and adoption of fundamental scientific and other necessarily revolutionary discoveries.

The American Patriot

[The Patriot File, Unearthed](#)

[by Anton Chaitkin](#)

The author's study of The Patriot, a New York newspaper published in 1823-24, opened a window into the minds and actions of its sponsors and writers, an extended circle of many of the leading strategists guiding America in military, political, economic, and literary fields. The work of this patriotic grouping and their collaborators, is at the heart of the story of America as an anti-oligarchic project, and of the modern world made possible by the ideas of Gottfried Leibniz, Benjamin Franklin, and their intellectual heirs.

- [Selections From 'The Patriot,' 1823-24](#)

[The Erie Canal: How American Patriots Had To Battle for Infrastructure](#)

International

[Berserker Cheney Escalates Push for World War III](#)

Despite intense diplomacy working to avert a war with Iran, the propaganda push by Cheney and the President aimed at provoking Tehran into providing a pretext for war, represents a very real danger. From Gen. Wesley Clark (ret.) to Russian President Putin, policymakers are warning of the threat.

[Why the India-U.S. Nuclear Deal Hit a Brick Wall, and What To Do About It](#)

A rapid about-face by Prime Minister Manmohan Singh can only be explained by the intense domestic opposition to an agreement which would undermine India's nuclear research program, including its potential for thorium reactors. But even larger policy issues are posed.

[Italy at Crossroads: 1924, or LaRouche](#)

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National

[LaRouche: 'It's Time for Speaker Pelosi To Go'](#)

In the ten months since the last national election, the new Democratic majority has squandered the opportunity to do something about the war in Southwest Asia, and about the attacks on the General Welfare. Lyndon LaRouche places the blame squarely on House Speaker Nancy Pelosi.

[LaRouche Youth Mobilize in New England for Housing 'Firewall,' General Welfare](#)

New England is being hit hard by housing foreclosures, and the LaRouche Youth Movement is organizing constituency leaders and other citizens to get LaRouche's Homeowners and Bank Protection Act passed.

[A 'Prairie Fire' of Maryland Foreclosures](#)

Economics

[How Long Can Congress Deny the Depression Crash?](#)

The stunning report of outflow from U.S. Securities, reveals the financial crash that is underway. Making the situation even worse, the Fed is responding by printing money at hyper-inflationary rates.

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Masao Hori prepared this paper for the Schiller Institute's Sept. 15-16 conference on 'The Eurasian LandBridge Becomes Reality,' held in Kiedrich, Germany.

Book Reviews

[A Patriot's Guide to Cheney's Power-Grab Takeover](#)

The Return of the Imperial Presidency and the Subversion of American Democracy by Charlie Savage; **The Terror Presidency, Law and Judgment Inside the Bush Administration**, by Jack Goldsmith; **Unchecked and Unbalanced, Presidential Power in a Time of Terror**, by Frederick A.O. Schwarz, Jr. and Aziz Z. Huq.

Art Reviews

[Metropolitan Museum Deconstructs Rembrandt](#)

'The Age of Rembrandt,' at the Metropolitan Museum of Art, New York City.

Editorial

[Cheney, Pelosi, and the Next War](#)

U.S. Economic/Financial News

Home Sales Plunge to Record Lows

Oct. 24 (EIRNS)—Existing-home sales in September fell 8.0% from August, to an annualized rate of 5.04 million units, as cancellations rose on higher-priced "jumbo" mortgage loans.

This was the lowest sales pace since 1999, when the National Association of Realtors began compiling data on single-family and condominium sales combined. As a result, the inventory of unsold homes rose to a record-high 10.5-month supply, the trade association reported.

The national median price for both single-family homes and condos fell 4.2%—more than twice the largest year-to-year drop so far—to \$211,700, down 4.2% from September 2006. Falling prices mean homeowners facing delinquency, default, or foreclosure, lack the option to refinance their mortgages.

Record Number of Empty Homes, as Foreclosures Increase

Oct. 27 (EIRNS)—According to the U.S. Census Bureau, there were a record 2.1 million owned homes standing empty at

the end of the third quarter 2007, "as lenders took possession of a growing number of properties in foreclosure." In addition, many of these homes are vacant because the owners have had to move, while being unable to sell the house. The total represents 2.8% of all owned homes in the country, whereas a decade ago, 1.5% were empty.

Homeownership has fallen from its peak of 69.1% of households in 2003, to 68.1% now—back to the level of 2000, again according to the Census Bureau. Since the Cheney-Bush Administration took office in January 2001, home ownership has fallen by 0.1%—despite a vast bubble of nearly \$15 trillion in mortgage originations and more than \$6 trillion in mortgage-backed securities issued since 2002!

In addition to the owned homes, some 4 million rental dwellings—for year-round living, leaving out temporary or seasonal dwellings—were empty, more than 10% of the total of such dwellings. Here too, the waves of foreclosures are having an impact, because foreclosed multi-family dwellings are nearly always emptied by the foreclosing company.

Ford Will Demand 10,000 More Job Cuts from UAW

Oct. 28 (EIRNS)—The U.S. auto sector, which is the primary remaining machine-tool capability in the U.S. economy, has lost a net 350,000 jobs since 2007, and is now about to lose more jobs and plants. After a Chrysler contract—just narrowly approved by a roughly 53% vote of United Auto Workers (UAW) members, which leaves unsecured the future operation of most of Chrysler's assembly and engine plants—Ford Motor Company will demand that the UAW agree to 10,000 more job cuts in its new contract, according to the *Detroit News*. Ford has eliminated 27,000 production jobs in just the past two and one half years, and has taken on so much new debt in that period that it faces the threat of bankruptcy.

Nearly 100 auto assembly, production, and parts-supply plants in North America have closed or been put on the chopping block since the beginning of 2005, when Lyndon LaRouche and LaRouche PAC mobilized to urge Congress to intervene and rescue this irreplaceable capacity, by giving it the mission of building new national economic infrastructure. These plants, large and small, comprise over 80 million square feet of the best-tooled productive plant remaining in America's deindustrialized economy. Yet Congress has not lifted a finger to save it.

The continuing reports of falling auto sales during 2006 and 2007 show that the automakers' production cutbacks are futile—they cannot "sell their way out" of their debt. Sales projections for October are in the range of 1.2 million cars and light trucks, according to Edmunds.com and other auto analysis firms. If this total is matched in November and December, which are normally low sales months, the auto industry will have sold fewer than 16 million cars in 2007 for the first time since 1995; and its sales will have dropped nearly 10% since 2000.

Dollar Falls to Record Lows as Fed Feeds Inflation

Oct. 28 (EIRNS)—The U.S. dollar declined against 15 of the 16 major currencies this week, in part, on expectations that the Federal Reserve will open the money printing presses again by lowering the interest rate—likely by another half percentage point—at its Oct. 31 meeting.

The U.S. Dollar Index, measuring the dollar's performance against six major currencies, shows that the dollar has lost 8% in 2007 and set a record low of 76.977 on Oct. 26, according to *Bloomberg* news. The dollar hit an all-time low of \$1.4395 against the euro yesterday, down 5% in just over two weeks. Gold hit a record high on Oct. 26 of \$783.50 per troy ounce on the New York spot market. Gold is also rising steadily against the euro.

Columnist Warns, California Is 'At the Brink'

Oct. 27 (EIRNS)—As the mortgage and dollar crises continue to accelerate, some, more sane financial traders will step forward, echoing what Lyndon LaRouche has been saying for decades. Yesterday, at PrudentBear.com (which is both a publicly traded mutual fund and an investment news provider), Doug Noland's "Credit Bubble Bulletin" had a curious title, "Structured Finance Under Duress." In plain English, the headline should have actually read, "California Mortgage Bubble Is Finished!"

Here are some relevant excerpts: "With California now at the brink, uncertain but huge losses are in the pipeline for jumbo, 'Alt-A,' and 'Option-ARM' mortgages loans that were for the most part thought sound only weeks ago. The market began to revalue the top-rated CDO tranches this week, a process that should only accelerate. 'AAA' is not going to mean much. If things unfold as I expect, a full-fledged run from California mortgage exposure could be in the offing."

Or, how about this one? "The nightmare scenario—where the market abruptly comes to recognize that the leveraged speculating is hopelessly stuck in illiquid CDO, ABS, MBS, derivative and equities positions—doesn't seem all that outrageous or distant this week. Unfortunately, today's Ponzi-style acute fragility (as was demonstrated this summer in subprime, asset-backed CP, SIVs and the like) and speculative dynamics dictate that he who panics first panics best.... We'll see to what extent the Fed is willing to spur increasingly destabilizing global stock market speculation and dollar liquidation in the false hope that lower rates can somehow mitigate Structured Finance Under Duress."

World Economic News

Agricultural Prices Skyrocket in France

Oct. 26 (EIRNS)—While the French bureau of statistics (INSEE) noted only a minor increase in the price of foods, the price of agricultural products in France soared in September. Cereals were up 20.5% in September over August. Soft wheat, used for bread, doubled in price over a one-year period, rising 23.2% in September alone, showing an exponential increase. Soy went up 24.7% in one month. Since it is used to feed livestock, the price of veal increased by 12% for the year, and poultry 14%. The price of fruit increased by a whopping 23.7% in September over August, while vegetable prices dropped 3.9%. Milk prices are expected to rise by 20% between now and December.

British Vampires Out To Feed on Italian Insurance

Oct. 25 (EIRNS)—"London moves on Generali," "The Lion and the Locusts," "Funds attack Generali," are some of the headlines today in the Italian media, commenting on the newest cannibalization war among the British financial caymans. The story is that the same hedge fund group that took over ABN-Amro is now moving to feed on the Italian insurance giant Generali, which is currently the largest Western insurance group in China. The move is important not only because Generali is the third-largest European insurance group; it also has been an historical stronghold of the Anglo-French-Venetian oligarchies. Generali still represents the Lazard-Mediobanca alliance, which was cemented toward the end of World War II between Mediobanca founder Enrico Cuccia and Lazard founder André Meyer. Mediobanca is the clearing house for Franco-Italian business families, and is the largest shareholder of Generali, with a stake of 14%.

Generali's chairman is Antoine Bernheim, Meyer's successor at Lazard. A recent new entry to Mediobanca was Vincent Bolloré, one of the forces behind French President Nicolas Sarkozy. The hedge funds moving on Generali are Tci and Algebris, which share the same address in London and are connected to the Royal Bank of Scotland; they sent an aggressive letter to Generali's CEO complaining about low returns, the high wages for Bernheim, and most of all, the "conflict of interest" with Mediobanca. "Yesterday evening in Trieste, questions were raised and even suspicions on who are the real players in the game," *Corriere della Sera* reported.

The *Financial Times* wrote that Tci and Algebris are worried that the Italian government, through the presence of banker Cesare Geronzi on Mediobanca's board, will have an undesired influence on the Mediobanca-Generali group.

Is the Bank of England Worried or Waiting?

Oct. 25 (EIRNS)—The Bank of England issued a bleak warning that Britain's financial system faces more and bigger shocks after the current turmoil, which has already been the most severe challenge to the financial system for several decades. According to British newspapers, the BoE warned that it would seem that nothing has been learned from the bankruptcy of Northern Rock bank. In its semi-annual Financial Stability Review, the Bank of England said that already there is a return to the risky lending practices, which it blames for the ongoing crisis. No one was prepared for the "speed and ferocity" of the crisis, Sir John Gieve, BoE deputy governor, wrote. "There have been signs of recovery in recent weeks, but some markets are still illiquid and the financial system remains vulnerable to future shocks." There has been "inadequate information about the true credit risk underlying financial instruments; an excessive dependency on rating agencies, opaqueness about the distribution of risks in the financial system; over-reliance on continuous liquidity in financial markets; and inadequate liquidity risk management."

"UK and large international financial institutions, which are at the heart of the global financial system, have been significantly affected.... Confidence in the stability of the financial system, in the UK and internationally, has been dented." The stock markets are "particularly vulnerable," the report says. The Bank says problems could come from a further rise in defaults on U.S. subprime mortgages, from off-balance-sheet special investment vehicles (SIVs), news that losses faced by large global institutions were larger than expected, or a tightening in U.K. credit availability.

U.K. Economic 'Miracle' Is a Debt Bubble

Oct. 23 (EIRNS)—*The Daily Telegraph's* Ambrose Evans-Pritchard writes a report entitled "More Mirage Than Miracle," published by the free-market think tank Policy Exchange, which shows that the so-called British economic miracle is based on a housing boom that created a false sense of wealth and ever greater debt burden.

"From 2001 to 2006, a total of £256 billion in equity was extracted from UK property values in this way. Dependent as it is on rising house prices, housing equity withdrawal cannot continue to prop up our consumer spending at its current level," said Evans-Prichard. "As a result, the UK savings rate has plummeted from 8.3% of disposable income fifteen years ago to around zero. Personal debt has risen by 137% since June 1993 to £1.343bn, greater than annual GDP for the first time."

Now the Bank of England's top property expert, Kate Barker, who also sits on the Monetary Policy Committee and is an advisor to Prime Minister Gordon Brown, warned that the so-called "buy to let" housing market, where people purchased houses to rent ("let") them out, in anticipation of rising real estate values, could be headed for a trouble, because of high interest rates and "reduced expectations of price appreciation." This sector accounts for 12% of all mortgage lending. This is the first time the Bank of England has commented on this sector.

United States News Digest

Arnie as Nero: Firestorms Ravage Southern California

Oct. 25 (EIRNS)—Sixteen wildfires continue to burn across southern California and over the border into Mexico. The firestorms have claimed more than 420,400 acres (about 650 square miles); and more than 1,600 homes and hundreds of businesses have been destroyed. Damage estimates for San Diego alone are over \$1 billion; 881,500 people have been evacuated. This includes the evacuation of over 350,000 households across six counties in southern California. So far, at

least six people have died directly or indirectly as a result of the fires.

Though drought conditions, extremely low humidity, and hurricane gusts of the Santa Ana winds (some over 80 mph) were pre-existing potentials for the firestorms, the current extent of the damage and potential damage is due to the woeful lack of infrastructure on the local and state level to deal with these types of disasters.

San Diego County accounts for the overwhelming majority of the loss of structures and evacuation. This case establishes clearly that the present disaster is not simply natural, but a failure of human action. In many respects, these fires are worse than the 2003 fire, which had been the worst fire in the county's history. In 2003, 50,000 people had to be evacuated; currently, more than half a million have been forced out of their homes. Shades of the Bush Administration's Katrina disaster are seen, as all hotels in the county are filled to capacity with evacuees, while thousands more have to be sheltered at the Del-Mar racetrack and Qualcomm Stadium.

After the 2003 fire, a blue ribbon commission was set up by the state, to investigate and present a report. On May 20, 2007, State Senator Christine Kehoe (D) warned that the commission's recommendations were not implemented, hence, the danger of fire devastation remained as large as ever.

According to an Oct. 23 article in the *Los Angeles Times*, since 2003, only one fire station has been built in San Diego County, and many of the county's fire departments are chronically underfunded and understaffed. Aside from an automated call system, little progress has been made in improving the fire-fighting equipment and infrastructure over the past four years.

The common theme heard at the fire sites from those responsible for fighting the fires, was lack of resources. Jeff Bowman, chief of the San Diego Fire-Rescue Department during the 2003 fire, resigned a year and a half ago because the city refused to provide necessary additional equipment and manpower. While the city of San Diego has a professional fire department, the county doesn't. This means that most suburban and rural communities rely on volunteer fire departments.

California Gov. Arnie Schwarzenegger held a press conference Oct. 24 to slap the backs of all the firefighters for doing a great job. The state fire-fighting and -prevention infrastructure has been looted by budget-cutting done by the Governor under the advice of George Shultz. It is also a reflection of the Enron crisis, from which both George Shultz and the Governor benefitted.

Move To Restore Congressional Power To Declare War

Oct. 25 (EIRNS)—Representatives Walter Jones (R-N.C.), Wayne Gilchrest (R-Md.), Bill Delahunt (D-Mass.), and Ron Paul (R-Tex.) announced today, the filing of H.J. Res. 53, The Constitutional War Powers Act Resolution. The bill, drafted by Jones, is a fundamental revision of the existing war powers resolution, to reinstate the constitutional requirement that the Executive branch cannot go to war without the explicit approval of Congress. In addition to the above-named Congressmen, two additional Democrats, Robert Brady (Pa.) and Neil Abercrombie (Hi.), are also co-sponsors. Delahunt, who chairs the Oversight Subcommittee of the House Foreign Relations Committee, vowed to get hearings on the bill as soon as possible. (Jones had authored legislation last Spring, requiring the President to get Congressional approval before an attack on Iran. House Speaker Nancy Pelosi had promised Jones a vote on the bill, but reneged on her commitment after addressing the pro-Israel AIPAC).

Delahunt, the only Democrat present, praised the courage of the three Republicans, especially as, in the case of Gilchrest and Jones, they are facing stiff opposition in upcoming primaries, and have been under brutal attack by the Administration and Republican leadership.

All of the Congressmen cited the immediate danger of a pre-emptive strike against Iran, with Paul demanding that this bill move as quickly as possible, given the fact that we're about to have another war (referencing today's sanctions, etc.) He said we could wake up tomorrow and have something going on in Iran, which will spread all over the world.

Right-Wing Moneybags Scaife Caught in Dirty Scandal

Oct. 22 (EIRNS)—The eccentric right-wing billionaire Richard Mellon Scaife, who bankrolled a multimillion-dollar investigation of President Bill Clinton and First Lady Hillary Clinton the 1990s, to dig up any dirt which could be used in an effort to drive Clinton from office, is now revealed to be in the center of a tawdry sex scandal in his hometown of Pittsburgh.

According to sealed court documents which were inadvertently made public a few weeks ago, Scaife has been involved in a bitter divorce battle with his second wife, Margaret "Richie" Scaife, after she caught him *in flagrante delicto* in their home, with a prostitute; Scaife had been meeting the woman twice a week at a local motel which rents its rooms for \$28 for three hours (what used to be called the "hot sheet trade"). "Scaife would show up in a chauffeured car, dressed in a suit, wearing cuff links, always bearing flowers...." Scaife would stay two hours, return to his chauffeured car and leave.

Having a little fun at the humorless Scaife's expense, the *Washington Post* listed some of the beneficiaries of Scaife's "philanthropic" largesse, such as the Heritage Foundation which promotes "traditional values" and has published papers on topics such as "Restoring a Culture of Marriage," and Paul Weyrich's Free Congress Research and Educational Foundation, which asks, "Will America return to the culture which made it great, our traditional, Judeo-Christian, Western culture? Or will we continue the long slide into ... cultural and moral decay?"

Unmentioned by the *Post*, but otherwise well-known, is that Scaife bankrolled the public-private "Get LaRouche" task force in the 1980s as well.

Waxman Accuses Blackwater of Tax Evasion

Oct. 22 (EIRNS)—In addition to its other transgressions against the general welfare, Blackwater USA has, according to an IRS ruling in March 2007, violated Federal tax laws by treating its armed guards in Afghanistan and Iraq as "independent contractors," rather than as employees, as DynCorp and Triple Canopy do.

In a letter to Erik Prince, Blackwater founder and CEO, Rep. Henry Waxman (D-Calif.), chairman of the House Oversight and Government Reform Committee, charges Blackwater with failing to pay millions of dollars in Social Security, Medicare, unemployment insurance, and related taxes for which it is legally responsible. Waxman also charges Prince with concealing the IRS ruling and the company's tax evasion from Congress and law enforcement officials. Blackwater is now required to submit relevant papers describing its contracts and taxes.

Senate Judiciary Leaders Again Demand White House Hand Over Documents on Warrantless Wiretap Program

Oct. 22 (EIRNS)—Senators Patrick Leahy (D-Vt.), and Arlen Specter (R-Pa.), the chairman and ranking Republican on the Senate Judiciary Committee, sent a letter to the White House today, again demanding access to documents on the Administration's warrantless surveillance program, which are needed in order for the Committee to consider the White House demand for immunity for telecommunications companies. The Bush Administration had previously agreed to make the documents available by today.

Last week, Democrats on the Senate Intelligence Committee reportedly capitulated to the Administration's demand for

retroactive immunity, while Specter and Leahy said that they must have access to the relevant information as to what the program was, before they would consider immunity.

According to the Specter-Leahy letter, the White House is insisting that the Senate first agree to provide immunity, and then Senators could see the key documents. "That is unacceptable and would turn the legislative process upside down," the Leahy-Specter letter says.

Ibero-American News Digest

LaRouche Proposal Raised at Bank of South Briefing

WASHINGTON, Oct. 24 (EIRNS)—Venezuelan Finance Minister Rodrigo Cabezas and Bolivia's Ambassador to the United States Gustavo Guzmán, briefed a public meeting yesterday, organized by the Center for Economic and Policy Research (CEPR), on the subject of South America's soon-to-be created Bank of the South. The two speakers outlined the plans for the government-run institution to finance regional development projects. In the question period, *EIR*'s David Ramonet raised the underlying issue driving the bank's creation, which no one had dared mention: the collapse of the global financial system.

The Bank of the South is being created in the nick of time, Ramonet said, because the entire system is coming down. The entire speculative house of cards, the derivatives bubble, is coming down, taking the dollar down with it. As of now, the bank would have to function in a system controlled by globalization. Therefore, he asked the panelists to comment on Lyndon LaRouche's proposal to change the whole monetary system, to one based on fixed exchange rates, and long-term fair trade agreements. In the U.S., Ramonet added, LaRouche is proposing that the government intervene in the financial system to stop foreclosures, in order to stop the slide into even deeper depression.

There was a buzz from some quarters at the name of LaRouche, including from the CEPR's Mark Weisbrot, who was moderating the discussion. Weisbrot, who likes to promote himself as well-connected in South American nationalist circles, could only answer, "Well, there is a crisis with the subprime mortgages that provoked a credit crunch, but the central banks are taking care of that. I think that's the short answer."

Cabezas, however, thanked Ramonet for his "very important comments," adding, "I cannot respond for other nations, but I can say that we in Venezuela are taking measures, fiscal, and of financial and monetary policy, to protect ourselves from a crisis situation in the United States." He detailed the exchange and capital controls Venezuela has implemented.

Correa: Securing the Future Means Putting Justice First

Oct. 23 (EIRNS)—Addressing the international conference "For a World Without Violence, Religions and Cultures in Dialogue," yesterday in Naples, Italy, Ecuadorian President Rafael Correa argued that there will be no end to violence in Ibero-America, until there is a radical change in the existing structures of "cruel globalization." As long as inequality continues to reign in Ibero-America, as long as the economic models inherited from neoliberalism seek to privatize even water, it is not possible to foresee a future without violence, he said. "We cannot imagine social peace upon graves." Progressive, sovereign governments prepared to change these policies have come to power in much of South America, but to secure a future, he emphasized, we need such changes in the rest of the world. For a more just, equitable, and human world, an economic system which puts justice first is required.

Over 400 world religious and political leaders attended the three-day conference, "For a World Without Violence," organized by the Sant Egidio community, as the latest in the Assisi "pilgrimages" for peace which it began over 20 years

ago with the support of Pope John Paul II. Pope Benedict XVI opened this year's conference, held from Oct. 21-23, with a mass, and met with visiting dignitaries. The conference announced that it would have only one message: that "only through dialogue and open exchange of ideas with the other is it possible to construct that authentic civilization, based on living together, which is so necessary for every contemporary society."

Bush's 'Merida Initiative' Violates Mexico's Sovereignty

Oct. 23 (EIRNS)—Statesman Lyndon LaRouche has repeatedly stated that the only way to lift Mexico out of the devastation caused by two decades of free-market policies, and 14 years of the North American Free Trade Agreement (NAFTA), is through the construction of cross-border infrastructural projects that will benefit both Mexico and the United States. Water, energy, transportation, and other development projects are the only sane way to address such pressing problems as unemployment, poverty, violence, and illegal immigration into the U.S.

Instead, the lunatic Cheney-Bush Administration has come up with a U.S.-Mexico "anti-drug" plan, dubbed the "Merida Initiative," announced by Bush on Oct. 23 as a request for "emergency financing for critical national security needs." Tacked onto the \$46 billion supplemental budget request for war funding (and therefore requiring Congressional approval), the plan offers \$1.4 billion over two years, to supply Mexican police and military with technology, equipment, and training to aid them in combatting drug cartels and cross-border violence, as well as "corruption" within their own ranks.

But in a context in which Mexico faces an imminent social crisis, brought about by the IMF's economic policies and NAFTA's destruction of the country's agriculture and food supply, this plan will only succeed in plunging Mexico into deeper crisis, while trampling on its sovereignty and national interests. President Felipe Calderón has loudly proclaimed that "combatting the cartels" and ridding Mexico of their violence, is his government's top priority; but his plan to intensify the free-market policies that have been in place for 20 years, will accelerate Mexico's political and economic disintegration.

Mexican legislators and other analysts are aggressively questioning this secretive plan, charging that it is really just a Mexican version of Plan Colombia, the multi-billion-dollar security plan which has placed large numbers of U.S. military personnel and private contractors into that Andean nation as part of a "counter-narcotics" strategy that has been totally unsuccessful. As particularly ominous, they point to statements by Pentagon and White House officials, as well as some private intelligence analysts, who are trumpeting the idea that drug-related violence in Mexico has now become a key *regional* security problem that requires multi-national intervention.

No Terrorist Threat from South America; Watch England Instead!

Oct. 20 (EIRNS)—Admiral Jim Stavridis, Commander of the U.S. Southern Command, writes in the Fall edition of *Americas Quarterly* journal, that "we consider Latin America and the Caribbean as being highly likely bases for future terrorist threats to the U.S. and others," citing the presence of members, facilitators, and sympathizers of Islamic terrorist organizations in the Western Hemisphere, Reuters reported on Oct. 18.

Mauro Sposito, head of border controls for Brazil's Federal Police, recommended the United States keep tighter watch on Britain, instead. "If I were a terrorist, I'd launch an attack from England. Latinos face 10 times the controls that Europeans do at U.S. borders," Sposito told Reuters.

Admiral Stavridis cited Hezbollah's presence in the Americas, particularly in the tri-border region of Argentina, Brazil, and Paraguay, insisting that while it appears that most of Hezbollah's activity is fundraising, "there are indications of an operational presence and the potential for attacks."

The claim of an Islamic terrorist threat from South America is regularly trotted out by officials of the Bush-Cheney government, but Pedro Abramovay, Legislative Affairs Secretary of Brazil's Justice Ministry, told Reuters that the United States has yet to provide Brazil any concrete evidence of suspected terrorist cells.

Anglo-Dutch Hysteria Over Argentine Presidential Elections

Oct. 26 (EIRNS)—On the eve of Argentina's Oct. 28 Presidential elections, in which First Lady and Sen. Cristina Fernández de Kirchner is expected to win, there is a loud sound of teeth gnashing emanating from quarters inhabited by Anglo-Dutch financiers or their towel boys.

Over the course of the past week, Dick Cheney's "Temple of Doom"—the American Enterprise Institute—the *Wall Street Journal*, *London Economist*, and Bloomberg news service, among others, have all bellowed the same message: President Néstor Kirchner and his wife are "ruthless" and ambitious; Argentina's economic recovery was just a matter of "luck;" they have lied about the real inflation rate, "manipulating" the figures; they refuse to follow the IMF's orders to cool off an allegedly "overheated" economy, by applying austerity measures, thus creating "investor distrust."

On Oct. 26, Bloomberg news service expressed panic over "widespread suspicion" that Kirchner had manipulated inflation data, and the likelihood that Sen. Fernández de Kirchner would be his successor, had transformed "the Argentine bond market into a financial bloodbath."

None of these financial predators dares say that the real financial bloodbath is the one they have created globally, and since Néstor Kirchner hasn't been nice about following their rules, they intend to hit Argentina, and its next President, with every bit of financial warfare they can muster. On Oct. 25, the *Wall Street Journal* came closest to admitting what really worries the bankers: Argentina "has often been a standard-bearer for economic trends in Latin America," it said, lamenting that "the fate of Ms. Kirchner and Argentina could affect policy choices around the region."

Western European News Digest

EU To Discuss Anti-Russian Paper

Oct. 25 (EIRNS)—In preparation for the EU-Russian summit tomorrow, the Portuguese EU presidency has prepared a paper hostile to Russia, to be discussed among EU chiefs of government, the *Financial Times Deutschland (FTD)* reports today. The text of the confidential paper, of which the *FTD* has been provided a copy, says that the EU must adopt a more aggressive policy towards Russia, which could become an "enemy" on foreign policy issues. The result of the coming elections in Russia will be "a ruthless foreign policy, a harder domestic policy and loud rhetoric." The paper also warns of the "dark sides of growing nationalism" in Russia and of the Moscow-"orchestrated campaigns against some member-states" of the EU.

"The times of embraces between Schröder, Chirac, Berlusconi and Putin are gone," a European diplomat told the *FTD*.

It remains to be seen whether the EU heads of government be so foolish as to underwrite this piece of toilet paper.

Attacks on British PM Brown Increase

Oct. 23 (EIRNS)—British Prime Minister Gordon Brown is under heavy political pressure, even more from the New Labour Blairites than from the Tories, a London source told *EIR* today. Certain pro-Blair media are playing a key role in

this anti-Brown campaign, in which Brown's alleged "U-turn" against calling a snap election is only being used as an opportunity to attack him. The attacks have nothing really to do with anything Brown has done, but the effort to destabilize him is very real. A new book, *Blair Unbound*, is being serialized in the London tabloid *The Mail on Sunday*, and is playing a big role in furthering isolating him. The book, by political historian Anthony Seldon, particularly attacks Ed Balls, a close Brown ally and currently Schools Secretary.

Internationally, Brown is known to want nothing to do with the Bush-Cheney Administration, unlike Tony Blair; rather, Brown has many more connections to the Democratic Party. It is considered in Britain, that the Bush-Cheney crowd do not like Brown, the source said.

Document Reveals: BAE Bribes Go Back to 1970s

Oct. 23 (EIRNS)—On the eve of a state visit to England by Saudi Arabia's King Abdullah, a document has surfaced indicating that British Aircraft Corporation, BAC, the forerunner of BAE Systems, was bribing officials of Saudi Arabia as early as the 1970s. The document, which was filed in the British government's National Archives last July, was a secret draft memo from the period, written by the Defence Export Services Organization (DESO), which reports to the Ministry of Defence. It said that "technical consultancy" fees "amount in practice to the exertion of influence to sway decisions," i.e., bribes.

During 1985-2007, BAE paid bribes to Saudi Prince Bandar in the amount of about \$2 billion, a small part of what Lyndon LaRouche has called "the scandal of the century." Tony Blair killed the investigation into that deal at the end of 2006.

Pope Sees Job Insecurity as Detrimental to Common Good

Oct. 19 (EIRNS)—Pope Benedict XVI said in a message yesterday for the Social Week of Italian Catholics, that "without stable, secure, and dignified work, it is difficult to speak of the Common Good." Such a statement is seen as a criticism of the Italian government's new labor bill, which left untouched the "flexibility" factors introduced by the previous government. The "radical left," which will demonstrate against the bill tomorrow, and which has accused Prime Minister Romano Prodi of having betrayed the common election program, sees itself now supported by the Pope.

Boss Can't Live on Workers' Wages, Grants Raise

Oct. 24 (EIRNS)—After trying to live on his workers' wages for one month, a small pasta-producer from Campofilone (Ascoli Piceno), Italy, decided to give his workers a raise.

Enzo Rossi and his wife allocated themselves each 1,000 euros a month. After deducting fixed expenses for mortgage, electricity, etc., they ran out of money on the 20th of the month. At that point, Rossi said, "I felt like I was 20 meters underwater, and the oxygen had run out." He decided to increase the wages for his 18 workers by 200 euros per month.

Rossi, whose story is making national headlines, appeared on the popular "Porta a Porta" television show yesterday, where he explained that his wealth now lies in "the warm hands of my workers," having been directed by a soul "free from sorrows and worries."

Campofilone is renowned for its fresh pasta, especially its "maccheroncini."

British Historian Blasts British Imperial Illusions

Oct. 25 (EIRNS)—Britain's illusions about its imperial past have led to the situation in which British military forces are "ludicrously" overstretched in Iraq and Afghanistan, distinguished British historian Correlli Barnett said at a seminar at Cambridge today, the *Guardian* reported. Barnett, who has documented the bankruptcy of the British Empire even before World War II began, warned that British politicians are still clinging to the imperial delusion that the U.K. is a world power. After World War I, the empire was only a facade of strength, but the political establishment maintains this facade to feel important on the world stage. Barnett said that "Politicians, civil servants and military chiefs remained mental prisoners of Britain's past as a world and imperial power. In my belief, the elite remained prisoners of their indoctrination at public school and Oxbridge. There they had been programmed to be house prefects to the world...."

British Intelligence To Recruit Video Gamers

Oct. 19 (EIRNS)—Following in the footsteps of Rupert Murdoch's purchase of MySpace.com, yesterday's London *Times* reports that British intelligence is targetting video gamers for recruitment. An article entitled, "Why Video Gamers Make the Best Spies," says that the Government Communication Headquarters (GCHQ), which is "the surveillance arm of the intelligence agencies," will begin running advertisements for new recruits embedded in popular video games, utilizing Microsoft's XBox console as the vehicle. The targetted audience will be ages 8 to 34. A spokesman said that the "GCHQ hopes to plant the idea in the heads of younger players of pursuing a career in the secret services."

Lazard Man Awarded France's Legion of Honor

Oct. 24 (EIRNS)—French President Nicholas Sarkozy has trashed France's highest honor, the Grand Cross of the Legion of Honor, by awarding it to financial speculator and Lazard Frères collaborator Antoine Bernheim.

Berheim, who championed the replacement of France's industrial CEOs from the post-war reconstruction period by a parasitical financier class ignorant of physical economy, buried the paradigm of high-technology industry as economics while working at the Lazard investment firm, made infamous by its pro-Nazi partner, André Meyer.

Bernheim is currently the three-term president of the Venetian speculative colossus, Assicurazioni Generali of Venice and Trieste. This is the first time France's Legion of Honor (only awarded to 75 people) has ever been given to someone whose activity was mere money-making.

Russia and the CIS News Digest

Putin Likens Central Europe ABMs to Cuban Missile Crisis

Oct. 27 (EIRNS)—Russian President Vladimir Putin yesterday compared the Bush Administration's plans for an anti-missile system in Poland and the Czech Republic to the 1962 Cuban Missiles Crisis. Echoing the most strongly worded of recent Russian press commentaries, Putin said, after the Russia-European Union summit in Portugal, "I would remind you how relations were developing in an analogous situation in the middle of the 1960s. Analogous actions by the Soviet Union, when it deployed rockets on Cuba, provoked the Caribbean Crisis.... For us, technologically, the situation is very similar. On our borders, such threats to our country are being created."

Putin continued to hold out hope for cooling the ABM dispute through negotiations. He added that the Cold War was over, and that he felt the United States was listening to Moscow's concerns. "Thank God, we do not have any Cuban missile crisis now, and this is above all because of the fundamental way relations between Russia and the United States and Europe have changed," Putin said.

Putin warned against those threatening sanctions and military action against Iran. Asked about prospects for settling such divisive issues as Kosovo and Iran, he replied, "With regard to Iran and its nuclear issues, we categorically oppose any violation of the fundamental provisions of international law on the non-proliferation of nuclear and other weapons of mass destruction." As reported on the Kremlin website, Putin went on to say, "Why exacerbate the situation now, pushing it towards deadlock and threatening sanctions and military action? Only a short time ago it seemed as though it would be impossible to resolve the North Korean nuclear issue, but peaceful means were found nonetheless and we are now well on the road towards settling this problem. I do not think that running around like a madman with a razor, brandishing it in all directions, is the best way to resolve problems of this kind."

Gates: Missile Defense System Could Be Delayed

Oct. 23 (EIRNS)—At a press conference today in Prague, U.S. Defense Secretary Robert Gates said, "We would consider tying together activation of the sites [of anti-ballistic-missile systems] in Poland and the Czech Republic with definitive proof of the threat—in other words, Iranian missile testing and so on." Voice of America, a facility of the U.S. government, reported, "Gates says the United States might be willing to postpone activation of missile-defense sites planned for Poland and the Czech Republic until there is proof Iran has missiles that could reach the area, if that would help end Russian opposition to the plan."

Pentagon press secretary Geoff Morrell said that Gates's statement, as well as a proposal to allow Russian observers into the Czech and Polish sites, were merely "ideas," and "not formal proposals." The secretary's remarks were widely reported in Russia, although the Ministry of Defense and the Foreign Ministry emphasized that only when the U.S.A. sends specifics through official channels will the Russian government respond.

Foreign Ministers of Russia, China, India Meet

Oct. 24 (EIRNS)—The foreign ministers of Russia, China, and India held their third "stand alone" meeting Oct. 23-24 in Harbin, capital of northeast China's Heilongjiang province. Their joint communique stated that the national development of Russia, China, and India is a major contribution to stability and peace in the region and world. Their cooperation is not aimed against any other nation, they added.

Russian Foreign Minister Sergei Lavrov said that Russia has "no plans" for a military alliance with China or India, but is working for cooperation in bilateral, trilateral, in the Shanghai Cooperation Organization, and other structures, to resolve "key security issues." The three are setting up a new "consultation mechanism" at a high diplomatic level, with focus on economic, agricultural, and cultural cooperation. In coming weeks, Chinese Prime Minister Wen Jiabao will go to Russia, Indian Prime Minister Manmohan Singh will visit Russia in mid-November, and, later, China.

Russian Conferences Take Up Resources, Rail

Oct. 26 (EIRNS)—Conferences in Russia this week took up key areas of the country's industrial and infrastructure growth. A regional conference was held in the West Siberian city of Tyumen on the megaproject called Industrial Urals-Arctic Urals (UP-UP), which aims to develop 30 resource deposits at the northern end of the Ural mountain range, and to create processing plants in the region, as well as rail links to allow shipment of these raw materials primarily to Russian industry, but with an export outlet via a revitalized Northern Sea Route. On Oct. 24-25, over 4,000 delegates assembled at the Kremlin for the First Congress of Russian Railways, which focussed on the rail sector's strategic plan for the period till 2030.

Speaking at the Oct. 24 Tyumen meeting was Academician Alexander Granberg, Russia's leading expert on regional

development and the head of the Council for the Study of Productive Forces (SOPS), which designed the UP-UP megaproject. He estimated its benefit to the Russian economy, expressed in ruble terms, as net 700 billion (currently \$2.8 billion) within ten years, or 1.5 trillion rubles (\$6 billion), counting ripple effects. Granberg compared UP-UP with Russia's space exploration and nuclear power programs, saying that it would promote the development and diversification of the entire Russian economy.

Speaker of the State Duma Boris Gryzlov, who chaired the meeting, asserted that UP-UP was being slowed by "middle-level government officials," which he linked to the fact that "this project is disadvantageous to international middlemen and companies that supply ore to Russia from abroad." An executive of the UGMK steel company reported to the meeting the astonishing fact that the Ural industrial region receives 60 million tons of raw materials—two-thirds of its iron ore, 90% of its coal, 100% of its manganese—from abroad, including CIS countries, but also Turkey, Australia, and South America, even though the resource-rich Ural Mountains are right at hand. Sverdlovsk Region Gov. Eduard Rossel, advocating construction of a rail line along the eastern slope of the Urals that Granberg said would reduce the costs of these resources by up to 75%, invoked the words of Count Sergei Witte about the Trans-Siberian Railroad, 100 years ago: "There are roads that begin a new phase in a nation's development."

The Kremlin Railways Congress was addressed by President Putin, with other top government officials taking part. Representatives of all 17 of the regional subsidiaries of the state-owned Russian Railways company discussed all regional aspects of the 2030 strategy, which includes a first stage of upgrading existing railroads, including by construction of high-speed lines, and then a second, "strategic" stage (2016-2030) of great projects like the railroad to the Bering Strait.

Putin told the meeting, "Speaking bluntly, Russia needs a new rail boom, comparable with the rapid development of Russian railroads at the turn of the 19th to the 20th Century, and, of course, on a fundamentally new level, on the most advanced technological basis."

Russia Anxious To Control Food Price Inflation

Oct. 25 (EIRNS)—The Russian government yesterday signed an agreement with major food producers and retailers, hoping to stem the surge of price inflation in recent weeks. The agreement covers prices on bread, cheese, milk, egg, and vegetable oil until early next year. Large retail companies will limit price increases on these products to 10%. In addition, the Ministry of Economics is considering a 10% hike in export duties on wheat, in order to hold prices lower inside Russia.

Russian media are discussing the moves as "part of the election campaign," referring to the State Duma elections in December. Sources in Russia and Belarus say that food price inflation is foremost on the minds of most people. In Russia, the *Financial Times* reported today, one-month price rises for September included a 13.5% jump for vegetable oil, 9.4% for butter, and 7.2% for milk. Several citizens asked Putin about restraining food prices, during his Oct. 18 webcast. Putin cited the international biofuels boom, among other causes.

Deputy Prime Minister and Finance Minister Alexei Kudrin yesterday warned against any "price freeze," saying, "This is the market, and prices in the market do not get frozen." Nonetheless, he, too, said that prices must be at least "stabilized," according to a report on Ekho Moskvyy radio.

Gorbachov Launches New 'Social Dem' Movement in Russia

Oct. 21 (EIRNS)—Mikhail Gorbachov, who presided over the breakup of the Soviet Union, as the result of the Soviet Union having rejected Ronald Reagan's Strategic Defense Initiative proposal, is now launching a new "democracy" movement in Russia. Yesterday in Moscow, Gorbachov created an NGO called the Union of Social Democrats, modelled, he claimed, on the allegedly "successful" ruling Grand Coalition of Social Democrats and Christian Democrats which is

now paralyzing Germany. Lyndon LaRouche has recently observed that most Russians see Gorbachov as a traitor, whose continuing efforts to influence the political process inside Russia are a significant menace.

While praising President Putin's achievements, Gorby focussed on "democracy." He said "when chaos reigned in the country, [Putin] used all means to stop the chaos. Now the country is embarking to a new path. It should not move back, but it should move towards democracy." Just before the Moscow event, Gorbachov had been touring the United States, ending up in New Orleans, where he chaired an international gathering of his Green Cross International, an environmentalist organization.

Southwest Asia News Digest

Turkey May Be Drawn Into Perpetual War Scenario

Oct. 28 (EIRNS)—With 100,000 troops on the border of northern Iraq, Turkish officials said on Oct. 28 that a military solution to the problem of Kurdish separatists using bases in Iraq is on the table.

A Turkish invasion of Iraq would be the next link in the chain of the British perpetual war scenario, which lies behind the post-9/11 war drive of Dick Cheney and the U.S. neocons. There are tens of millions of ethnic Kurds scattered through Turkey, Iran, and northern Iraq, an arrangement put in place by the 1916 Sykes-Picot agreement for the apportionment of spheres of interest in the Ottoman Empire. Now it is detonating.

Turkish-Iraqi talks broke down on Oct. 26, and the Turkish army sent more equipment to the border on Oct. 28, according to Reuters. Turkey's 100,000 troops are backed by jet fighters, helicopter gunships, and tanks. Army sources said today that preparations are now almost complete.

Ankara has demanded that Iraq hand over members of the terrorist Kurdistan Workers Party (PKK), whom they blame for more than 30,000 Turkish deaths since the start of the separatist campaign in 1984.

The leader of Iraq's Kurdistan Regional Government, Masoud Barzani, refuses to hand over anyone, "no matter the cost." However, he said he would not allow PKK officials to use the Kurdistan region for attacks on Turkey.

Iranian President Mahmoud Ahmadinejad told the Iraqi government that he supported a crackdown on the PKK, but wanted a peaceful solution. Iran has also faced cross border attacks by the PKK.

Solana Says It's the Same Larijani

Oct. 25 (EIRNS)—EU negotiator Javier Solana met an Iranian delegation led by former chief nuclear negotiator Ali Larijani Oct. 24 in Rome, and reported on the meeting in an interview with the daily *La Repubblica*. He said that he "found the same Larijani whom I had met earlier, and his role was the chief negotiator." Asked whether Russian President Vladimir Putin's visit to Tehran has changed anything in the negotiations, Solana said that he had "a detailed report from the Russians on President Putin's visit and I will meet him next Friday in Lisbon." Solana said he wants to reserve his judgment "until I have spoken to him longer and in detail," however "I am sure that in Tehran [Putin] defended our positions, those agreed upon by the six" (USA, Russia, France, Germany, Great Britain, and EU).

On Russia itself, Solana said that "the last meetings in Moscow between Russians and Americans have brought about some openings" on the BMD issue.

In the past days, Italian media has speculated that Larijani's resignation as chief negotiator on the nuclear issue, in the aftermath of Putin's visit to Tehran, was a move to force Iranian President Ahmadinejad to fall in line with more moderate forces.

Rice 'Peace' Mission a Flop

Oct. 21 (EIRNS)—U.S. Secretary of State Condoleezza Rice ended a five-day peace mission to Israel and Palestine with a meeting on Oct. 21 in London with Jordan's King Abdullah II. According to news accounts, Rice's trip failed in her primary mission: to get Israeli Prime Minister Ehud Olmert and Palestinian Authority President Mahmoud Abbas to agree on the wording of a policy document, to be signed by them at a peace conference in Annapolis, Md., which the Bush Administration has been trying to put together for late November or early December of this year. Rice was quoted by *The Australian*, "The teams are serious, the people are serious, the issues are serious, and so I am not surprised that there are some tensions."

Perhaps one reason that the talks did not succeed, is that Rice was travelling with Elliott Abrams, the National Security Council's Middle East policy chief, and a rabid neocon, who is dead-set against any final peace agreement, and who has his own agenda for destroying the Palestinian National Congress, by provoking confrontation between Hamas and Fatah. As Lyndon LaRouche observed, "Rice does not trust Abrams, and Abrams does not trust Rice. So how can there be any kind of diplomatic progress when the U.S. negotiators are working at cross-purposes?"

The situation is further complicated by the fact that Olmert has been given an ultimatum by the Israeli religious parties, and by rabid right-winger Avigdor Lieberman: Any talk on final status issues, including final borders, the status of Jerusalem, and the right of return for Palestinians, will bring down the Olmert coalition government. Without the backing of the National Religious Party, Shas, and Lieberman's right-wing party, the government would lose a vote of no confidence in the Knesset. On the other hand, if those issues are not on the table at Annapolis, at least as key items in the joint declaration, to be taken up in future talks, the Palestinians will not attend, and none of the Arab states will attend.

According to news accounts, National Security Advisor Stephen Hadley will return to the region within days, to resume the effort started by Rice, and Rice herself will be returning to Israel and Palestine at the end of October or early November.

Lebanese Fire on Israeli Planes Flying Over Southern Lebanon

Oct. 25 (EIRNS)—Lebanese troops fired 150 rounds on Israeli warplanes flying low over southern Lebanon. This is the first time since the month-long 2006 Israeli war on Lebanon that Lebanese troops have fired on what Israel describes as its frequent "reconnaissance" flights. Nations throughout the region have protested these overflights, as has the United Nations.

Before the 2006 war, Hezbollah used to open fire on Israeli planes flying over Lebanese territory. After the ceasefire, the Lebanese army deployed 15,000 troops and the UN deployed 13,000 UNIFIL troops in the South.

A Lebanese journalist told *EIR* that there are fears of another Israeli war against Lebanon, as Bush and Cheney have upped the ante against Iran, Syria and Hezbollah.

Israeli Minister: Israel Ready To Give Up Golan for Peace

Oct. 26 (EIRNS)—Israeli Science, Culture and Sport Minister Ghaleb Majadele said Israel is ready to withdraw from the

Golan Heights in exchange for peace with Syria and the entire Arab world.

"Syria still sees peace as a strategic goal, and is closer with Israel than with Iran. President [Bashar al-]Assad knows quite well that the solution is not far away," Majadele told the Kuwaiti daily *Al-Rai* in an interview published Oct. 26.

Commenting on the proposed Middle East peace conference to be held in Annapolis next month, he said, "Israel will not be able to normalize relations with Arab nations without paying the price of anything related to the Palestinian issue." He reiterated that he doesn't rule out the possibility that "the fate of the settlements in the West Bank will be the fate of the settlements from the Gaza Strip."

Asia News Digest

Former President: India Must Have Nuclear Self-Sufficiency

Oct. 24 (EIRNS)—India must seek to achieve self-sufficiency in nuclear power through its development of thorium reactors, former Indian President A.P.J. Abdul Kalam, said in an interview in London on Oct. 23.

Kalam, widely acknowledged as the father of India's rocket program, noted that India has a shortage of uranium, but one of the largest reserves of thorium in the world, abundant in the gray sands of India's southwestern beaches.

Thorium is also a fuel, but it is not a fissile material, Kalam explained. "You have to convert it into a fissile material through the fast breeder reactor, which we are building. Our scientists are busy developing this," Kalam said, "and in the next five to seven years, thorium-fuel-based nuclear reactor will be a reality."

Although the interviewer in London could not persuade Kalam to comment on the U.S.-India nuclear deal, which has run into difficulties, in early September, during his interview "Walk the Talk" with the NDTV, he had said the "Indo-U.S. nuclear deal is not about India's strategic interests, but aimed at adding 1,000 megawatts of power every year to take it to a level of 20,000 MW by 2020."

"I feel it is about energy. After all, we have got a vision. The nuclear scientists have got a vision. Every year they want to add a thousand MW of power. So the whole mission is how do you get 1,000 MW per year." Then he went on to point out that thorium reactors will be for India's self-sufficiency. Since thorium is found in abundance in India, Kalam told the NDTV, "our nuclear scientists started working on thorium-based reactor. It is a very tough area in research and development." But, he said he believes that India would have thorium-based nuclear reactors for power generation in the "next five to seven years." (See InDepth for "Why the India-U.S. Nuclear Deal Hit a Brick Wall, and What To Do About It," by Ramtanu Maitra.)

Warmer Weather Increases Rice Productivity in China

Oct. 24 (EIRNS)—Warmer weather that has prevailed in recent years in northern China has led to increased rice productivity, according to the Philippines-based International Rice Research Institute (IRRI).

IRRI has tracked a northward shift in rice-growing areas in China, which is home to a fifth of humanity and produces 35% of the world's rice.

Writing for the IRRI journal, *Rice Today*, geographer Robert Hijmans said: "While economic development, the shift to

high-value vegetables and land conversion steered farmers away from rice farming in southern China," another factor that may have contributed is warmer weather.

He pointed out that northern states of China, Liaoning, Jilin, Nei Mongol, and Heilongjiang, now account for 11.5% of China's rice-growing areas, up from 2.7% in 1979.

The four northern provinces mentioned also saw "relatively strong increases in yield" over the period, Hijmans said. Warming in high latitudes such as northern China, where a 2.5 degree-Celsius rise in minimum temperature in Heilongjiang was monitored over the past 40 years, has been above the global average of 0.03 degrees Celsius rise per year, he said.

Despite this rise in productivity, China will continue to feel rice shortage. According to Li Changjiang, director of China's General Administration of Quality Supervision, Inspection and Quarantine, China, the world's largest rice consumer, is in talks with Japan, and is preparing to import more rice from this near neighbor.

China Has Softened on Border Dispute with India

Oct. 26 (EIRNS)—According to Indian External Affairs Minister Pranab Mukherjee, who was in Harbin, China earlier this week, attending the triangular talks among the foreign ministers of Russia, China, and India, India and China have established a working group to prepare a framework for enhanced cooperation. He also pointed out that Chinese Foreign Minister Yang Jiechi told him that China is willing to settle border disputes with India on the basis of "adjustments and mutual concessions." This is surely a shift in China's position on the border dispute that exists between the two nations.

A number of events, and initiatives may have influenced Beijing's position, including India's decision to put on ice the nuclear deal with the United States, which undoubtedly pleased China.

In addition, India's Congress Party president, Mrs. Sonia Gandhi, is presently in China on a week-long visit. She will have meetings with Premier Wen Jiabao and politburo member Liu Qi, as well as call on former Foreign Minister Huang Hua, who played a major role in fostering bilateral ties in the early stages of Sino-Indian relations, in which Mrs. Gandhi's husband, former Prime Minister Rajiv Gandhi, assassinated in 1991, had played a very important role. Beijing points out that Mrs. Gandhi will be the first leader of a foreign political party to meet with Hu and Wen, both re-elected to the all-powerful Politburo Standing Committee of the CPC Central Committee at the first plenum of the 17th National Congress of the Party.

Paulson Strong-Arms India's Financial Sector

Oct. 26 (EIRNS)—U.S. Treasury Secretary Henry Paulson will press India in a visit there next week not to restrict its capital flows, his top deputy for international affairs said on Oct. 26. "We will encourage the Indian government to work closely with the private sector to ensure that any regulations they put in place are streamlined and really don't inhibit the flow of capital," said David McCormick, Treasury undersecretary for international affairs.

Early this week, India's central bank, the Reserve Bank of India (RBI), reiterated its earlier stance of a complete ban on participatory notes (P-notes). P-notes are the financial instruments used by investors, or hedge funds, that are not registered with the Securities and Exchange Board of India (SEBI), to invest in Indian securities. India-based brokerages buy India-based securities and then issue participatory notes to foreign investors.

Any dividends or capital gains collected from the underlying securities go back to the investors. The RBI believes that the

SEBI and Finance Ministry will not curb the inflow of funds through tight monitoring of P-notes.

China Central Bank Head: Liquidity Crisis Not Over

Oct. 21 (EIRNS)—People's Bank of China deputy governor Wu Xiaoling warned that central banks' liquidity pumping has done nothing to solve the world liquidity crisis, at the 16th meeting of the International Monetary and Financial Committee in Washington yesterday. Wu had earlier made clear to Western economists, that China was not going to upvalue its currency, the renminbi. The situation in the "major advanced economies" is "posing significant downside risks to global growth," she said. "It is all the more urgent a priority to strengthen surveillance of the systematically important advanced economies in order to safeguard global financial stability and economic prosperity. This round of adjustment has not yet come to an end. Despite the major central banks' liquidity injection, credit conditions are unlikely to be restored within a short period of time."

Wu said that is necessary to "thoroughly analyze" the roots of the financial turmoil, re-examine the role of financial innovation and the development of derivatives, as well as the associated risks, Xinhua reported today.

First China-Russia Intermodal Container Railway Transport

Oct. 22 (EIRNS)—China's Shipping Container Lines (CSCL) and the state-owned China Railway Container company are cooperating to create the first intermodal container railway transport service along the "Euro-Asian Continental Bridge" railroad from China's Yellow Sea port of Lianyungang, via Xinjiang, western China, to Kazakhstan and Russia. This route was first opened in 1992, when the last rail link was opened between China and Kazakhstan, but container traffic has not been growing as rapidly as planned. Using the "Continental Bridge" cuts transport time from eastern China to Russia and Europe by 50%, to just 26 days. China Shipping, the sixth-largest container shipping line in the world, began the first intermodal container transport service between China and Russia on Oct. 8, Marshall Cavendish Business Information of Hong Kong reported today. The company will expand its shipping, since Russian imports of Chinese and Japanese products has risen 37% and 54% each in the first half of 2007. Domestic shipping, from Shanghai to the northeastern cities of Dalian, Harbin, and Hefei have grown 70% this year. China's containerized rail cargo, at 3 million TEUs, is still only 3% of national rail cargo, in contrast to 20% in the U.S. and 30% in Europe.

On Oct. 20, a delegation from the border city of Tumen, in China's northeastern Jilin Province, went to Partizansk, Primorye, Far Eastern Russia, to sign a cooperation agreement on joint investment in coal and lumber production, the *Vladivostok Times* reported. The Chinese delegation then went to Khabarovsk, Russia, to discuss with the Far Eastern Railway authorities, the potential for opening a direct rail connection from Tumen to Khasan, Russia—both are stations, east and west, on the North Korean border. A potential rail link across North Korea, would cut 200-300 km from southern Primorye, on the Pacific Coast, and China, from the current border link Suifenhe-Grodekovo. The new rail link would create new economic potential for the seaports of southern Primorye. Freight traffic has been increasing by 1 million tons a year at the Suifenhe-Grodenkovo border crossing.

Africa News Digest

Sarkozy Offers To Build Nuclear Plants in Morocco

PARIS, Oct. 24 (EIRNS)—At a state dinner given last evening, for visiting French President Nicolas Sarkozy, by King Mohammed VI of Morocco, Sarkozy said, "I have the great pleasure of announcing that France has decided to join together in another great industrial workplace, a great partnership, that of civilian nuclear energy."

"France will honor Morocco's ambition," he said. "We named two of our close collaborators to join the Moroccan and French framework" of cooperation.

A source quoted by *Le Monde* said the two representatives will elaborate the agreement "as soon as next week." The daily reported that "The number of nuclear plants and their locations, and the possibility they will not only provide energy but also desalinate sea water, will be discussed." Moroccan Energy Minister Amina Benkhadra might soon make a trip to France.

Earlier in the day, Sarkozy had told Moroccan MPs that he hoped that Morocco, with French cooperation, "can acquire a nuclear sector corresponding to its development needs.... The energy of the future should not be the exclusive possession of the most developed countries, as long as international conventions are respected" he underlined. To say this, "is also for me a way to tell Iran that cooperation is possible and that we're not condemned to confrontation."

France To Build 500-KM TGV Line in Morocco

PARIS, Oct. 22 (EIRNS)—Patrick Kron, CEO of the French infrastructure giant Alstom, is heading a delegation of industrialists accompanying President Nicolas Sarkozy on a visit to Morocco today. Sources quoted by AFP indicate the two countries will sign a 3 billion euro contract for the construction of a 500 km high-speed rail line, similar to France's Train à Grande Vitesse (TGV) between Tangiers in the North and Marrakesh in the South. The rail line is planned to go into operation between 2012 and 2015.

Indian Firm, Tata, To Invest in South African Mining

Oct. 27 (EIRNS)—The Indian conglomerate and steelmaker, Tata, could enter the South African mining sector, according to the *Economic Times* of India. Rawan Dhawn, managing director of Tata Africa Holdings, said that Tata would not like to restrict itself to gold or diamond mining, but is interested in all forms of mining, as a partner with a South African company.

Tata is looking for opportunities to mine chrome, manganese, coal, and iron ore, and has already acquired a 35% stake in Riversdale Mining's Mozambique Coal Project for \$86 million. Tata Steel is also considering establishing a steel mill in South Africa. The company is said to be considering investing \$450 million in South Africa.

Mugabe Will Attend EU Summit, If Invited

Oct. 27 (EIRNS)—Zimbabwe's President Robert Mugabe told the Angolan news agency on Oct. 27 that he would attend the European Union-African Summit in Lisbon in December, if he is invited.

British Prime Minister Gordon Brown has said he will not attend the summit if Mugabe is invited. On the other hand, member-states of the Southern African Development Community, which is mediating a conflict between the Zimbabwe government and opposition before elections next year, said after their summit in Zambia in August, that they would not attend if Mugabe was barred from the summit.

Mugabe said, "Europe should not choose who of us should come and who should not." If that were to happen, he said, "the we are a finished people." He added that Europeans "have lots of sins themselves, and we don't like many things they are doing," but "we will not say that if so and so comes to the United Nations, we will not go." He said that Britain and Zimbabwe have a conflict over land in Zimbabwe.

Bank Deal May Strengthen China-South Africa Nuclear Ties

Oct. 26 (EIRNS)—The news that China's biggest bank, Industrial and Commercial Bank of China, has agreed to buy a 20% stake in South Africa's Standard Bank, in a deal reported to be worth \$5.5 billion, indicates a strengthening of relations between the two countries.

The strengthening of strategic ties began to flourish with Chinese President Hu Jintao's visit to South Africa last February. The bank link-up may help both in the nuclear power sector: China is working with a number of African countries, including South Africa, in developing the pebble-bed modular reactor, based on technologies that are expected to generate greater safety and efficiency. The pebble-bed reactors could also be used to produce hydrogen, which many hope will emerge as a major alternative to oil in the transportation sector.

A Chinese company, Chinergy, established to develop pebble-bed reactors, has signed a memorandum of understanding with a South African company which has emerged as one of the leaders of the pebble-bed reactor technology. The Massachusetts Institute of Technology has also joined R&D forces with China and South Africa. China and South Africa hope to work together to commercialize and export pebble-bed reactors in the future.

The banking deal is taking place as a new triangular cooperation alliance in nuclear power development has emerged among South Africa, India, and Brazil.

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