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The System Is Finished: Build Infrastructure!

by Nancy Spannaus

As of this writing, the cat is out of the bag. The world has entered a full-blown banking crisis, and the overwhelmed central bankers are pouring out hundreds of billions of dollars in the vain hope of stanching the bleeding. Even more worrying, the U.S. President, the Congress, and a host of other influentials are showing utter incompetence, and in some cases are proceeding to accelerate the catastrophe through proposed currency warfare against China, and other nonsense. It's time to get serious. For decades, Lyndon LaRouche has been forecasting *precisely* this result, should the world financial authorities continue to pursue the logic of their anti-Roosevelt policies, begun at the moment of FDR's death. And he has been right. More immediately, it was less than one month ago, at his international webcast, on July 25, that LaRouche told the world that the process of world financial breakdown was already, unstoppably, under way. The speed of that disintegration, as documented below, has been breathtaking. Can any sane person now doubt he was right?...

In-Depth articles from Vol. 34, No. 32

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Feature

The System Is Finished: Build Infrastructure!

The only competent plan that has been put forward to deal with the ongoing financial blowout is that of Lyndon LaRouche, who calls for creating a new global monetary system by carrying out the necessary bankruptcy reorganization, and putting into place an FDR-style program of directing credit toward massive infrastructure-building.

A Table of Organization for U.S. Economic Recovery

The Economic Recovery Act of 2007

Draft legislation being circulated to Congress by the LaRouche Political Action Committee (LPAC).

The Scope of the U.S. Infrastructure Deficit

Build Rail, Maglev for Fast, Safe Transport

Brooklyn Bridge: Built for the Ages

If Rohatyn Is In It, It's No Damn Good

Synarchist banker Felix Rohatyn has consistently acted to subvert the foundations of national economies, and his proposal for a 'National Infrastructure Bank Act of 2007' is basically a national version of the Big MAC program that raped New York City in the 1970s.

Economics

Panic Is in the Air as Financial System Implodes

When a financial commentator says that 'Armageddon' is here, it is indicative of the fear of the financiers and bankers, as they begin to realize that their system is disappearing. The issue is not 'credit,' but debt, and the games that have been played to hide the way debt has been used to paper over an economy—and a banking system—which is already bankrupt.

Three Gorges Dam Passes First Major Test With Flying Colors

A Challenge to the British System: Why Canada Needs the Bering Strait Tunnel

The work of Canada's 19th-Century 'Prophet of Progress,' Thomas C. Keefer, shows the direction in which the nation must move today.

International

Unprecedented Progress in Eurasian Cooperation

From Southeast Asia, to the Koreas, to Vladivostok in Russia, steps are being taken to firm up Eurasian relations. The leading roles of Russia and China are particularly prominent.

Great Promise for a World in Danger

Helga Zepp-LaRouche gives a strategic briefing to collaborators in Mexico.

France: Nuclear Energy or Financial Power

Young Arab Musicians Celebrate Schumann

National

To Make Mideast Peace, Dump Dick Cheney Now

The Cheney forces are beating the drums louder for military strikes against Iran, as President Bush picks up their rhetoric. Analysts fear that the Administration will stage an incident that could trigger such an attack, a 'Gulf of Tonkin II.'

'Gulf of Tonkin' Is Model for Cheney's War

Bush Signs Spy Bill in Spirit of Hitler's Third Reich

Dangers of a Cornered George Bush

An assessment of the President

by psychiatrist Dr. Justin Frank and the Veteran Intelligence Professionals for Sanity (VIPS).

Confronted with more defeats and reversals, Bush might now undertake even more reckless military adventures, they conclude.

Investigation

Vast Right-Wing Conspiracy At It Again, With a New Twist

Hillary Clinton, as First Lady, blasted the 'vast right-wing conspiracy' against her husband. The core of that conspiracy, including notably the networks of Richard Mellon Scaife, is now reactivated, preparing slanders and dirty tricks against Senator Clinton, Lyndon LaRouche, and perhaps others.

Editorial

It's Only Paper!

U.S. Economic/Financial News

Fed Pumps Out \$38 Billion; Says 'Everything's Fine'

Aug. 10 (EIRNS)—After announcing in a statement today that it will provide "liquidity to facilitate the orderly functioning of the financial markets," the Federal Reserve pumped \$19 billion into the banking system, which it supplemented later in the morning with another \$16 billion. The supposed "easing" of the stock market decline resulting from this action, was only momentary. When the Fed made a third injection of \$3 billion in the afternoon, stocks began to slide again. Today's \$38 billion infusion came on top of the \$24 billion injected into the system on Aug. 9.

The injection today was done through the purchase of mortgage-backed securities. In fact, *Bloomberg News* reported that the Fed accepted only mortgage-backed debt as collateral for the weekend's repurchase agreement, amidst speculation that there will be an emergency Fed meeting next week to cut rates.

The Fed obliquely referenced the current market meltdown by noting that "depository institutions may experience unusual funding needs because of dislocations of credit and money markets." It said it was "providing liquidity to facilitate the orderly functioning of the financial markets." Reserves will be provided "as necessary," the Fed said, and "as always, the discount window is available as a source of funding."

Former Fed chairman Alice Rivlin, now at the Brookings Institution, noted that the current situation is one of "great uncertainty," and that Central Banks are injecting liquidity internationally—to the tune of \$323.3 billion in the past 48 hours—"in hopes that collectively they can stabilize things." Indicating that, like many others, she's not in the real world, Rivlin also announced that the Fed has an "almost unlimited ability to supply liquidity if they feel that is appropriate."

Weimar, anyone?

Will the Lights Go Out at Luminent?

Aug. 10 (EIRNS)—After losing access to the commercial-paper market, Luminent Mortgage Capital isn't sure it can stay in business for much longer, according to *Bloomberg News*. The company suffered a liquidity loss due to "unanticipated

disruptions in the secondary mortgage and national real estate markets," it explained in a regulatory filing today. The filing explained that due to the "significant" and "unprecedented" deterioration of the mortgage market, and the sources of financing it relies on, Luminent is now facing margin calls on its highest-quality assets, and can't borrow as much through repurchase agreements. The company has been forced to delay its quarterly report to the Security and Exchange Commission, and is now said to be exploring all its options.

Biggest U.S. Mortgage Lender Heading Toward Bankruptcy?

Aug. 10 (EIRNS)—Countrywide Financial Corp, the largest U.S. mortgage lender, said it is experiencing "unprecedented disruptions" in the credit markets, negatively impacting its financial condition. This credit crunch has forced it to hold on to more mortgage loans than expected—at a significant markdown—because it has been unable to sell them. Already about 70 mortgage lenders have ceased business operations or sought buyers in the past six months. Countrywide, in a regulatory filing with the U.S. Securities and Exchange Commission, said it would hold, rather than sell, \$1 billion more of subprime mortgage loans than it had intended, while marking down the value by 20%. Delinquencies are rising not only on subprime and Alt-A (so-called "liar loans"), but also on prime home equity loans. Countrywide said mortgage payments were at least 30 days late on 20% of the non-prime loans it serviced as of June 30, up from 17% three months ago. The delinquency rate on prime home equity loans jumped to 3.7% from 1.5% a year earlier.

Meanwhile, the largest U.S. savings and loan, and the third-biggest U.S. mortgage lender, Washington Mutual, said liquidity in the subprime mortgage market had "diminished significantly," adding that subprime turmoil has "spread" into higher-quality loans.

Automakers Reduce 2007 Sales Forecasts

Aug. 9 (EIRNS)—Over the last several days, Ford, General Motors, and Toyota have announced they've lowered their "outlook" for this year's sales figures. The *Wall Street Journal* notes that, "A prolonged sales downturn could force Detroit's auto titans to rethink their North American turnaround plans—which were built on the assumptions of stronger industry sales," assumptions which have collided with the reality of declining consumer credit.

In response to these diminished expectations, Ford CEO Alan Mulally said that the company will decide in the first week of September whether to cut its fourth-quarter production plans, rather than stimulate "false demand" with profit-draining incentives. GM, on the other hand, while decrying past "bargain-basement deals" on all of its vehicles, is considering such incentives in critical areas where it is faced with heavy competition from Toyota's incentive programs.

Grassley, Rangel To Move Bill To Tax Private Equity

Aug. 9 (EIRNS)—Iowa Sen. Charles Grassley (R) said that he intends to link his proposal to boost taxes on publicly traded "leveraged buyout" firms, to a fix of the alternative minimum tax (AMT), which both Democratic and Republican leaders in Congress are looking for. Grassley said that pairing his bill with a reform of the AMT—so that it would apply to many fewer, higher-income households only—would make it harder for opponents to vote against it.

The fact that Grassley is, in effect, embracing the strategy of Rep. Charles Rangel (D-N.Y.), chairman of the House Ways and Means Committee, and sponsor of a somewhat tougher private-equity tax bill, means that legislation to make wealthy private-equity managers pay the corporate tax rate on their income, could move faster in Congress than had been expected. Grassley's proposal would increase the tax rate paid by private-equity firms and hedge funds to 35%, if the firms had made public stock offerings. Under the current system, these firms' managers pay a lower capital-gains tax rate of 15%. Rangel's House bill would apply to higher form of taxation to managers of all private equity takeover firms, not just those that had issued public stock. Rangel had previously said that he intends to combine a tax increase for the private-equity firms and

hedge funds, with a measure curtailing the AMT. Wall Street fiercely opposes the bill, and so does Treasury Secretary Henry Paulson. In fact, on Aug. 8, Paulson and President Bush called for lowering corporate taxes overall.

World Economic News

Big European Banks Pulled Down by HomeBanc Default

Aug. 10 (EIRNS)—The Chapter 11 bankruptcy filing by HomeBanc Corp. in Delaware Aug. 9, for default on its \$4.9-billion debt, affects several of Europe's biggest banks, the German Finanznachrichten newswire reported today. The banks, all creditors to HomeBanc, are Germany's Deutsche Bank Structured Products and Commerzbank AG New York; Fortis Capital Group (Belgium), and BNP Paribas (France). On the U.S. side, JP Morgan Chase Bank is said to suffer from the default.

Hedge Funds Admit They're Finished

Aug. 10 (EIRNS)—The ongoing turmoil in the markets, a reflection of the disintegration of the global financial system, is leading to significant losses in those "quantitative" hedge funds that use "market-neutral" strategies, via computer trading, according to today's *Wall Street Journal* and Citigroup. Some of these funds were asked by banks to put up more collateral to back loans, so they sold some of their holdings to raise cash, and closed out "short" trades that bet against companies.

"Nothing seems to be working," wrote a London-based Citigroup analyst. "Previously uncorrelated factors have recently been falling with the same pace, leaving investors with very few places to hide."

Aside from Goldman Sachs' two hedge funds in severe trouble, these include:

* The Renaissance International Equities Fund, one of the world's largest, a \$26 billion-plus hedge fund run by billionaire James Simons, who said the firm has "not had good luck during these last few days," down 8.7% so far in August. "We have been caught in what appears to be a large wave of de-leveraging on the part of quantitative long-short hedge funds," Simons wrote in a note to investors yesterday. It lost from 4-4.5% in July.

* AQR Capital Management, a \$38 billion fund based in Greenwich, Conn., which suffered losses in recent days on market-neutral investments.

* Tykhe Capital, a small New York-based hedge-fund firm that manages about \$1.8 billion, which reportedly lost about 20% in its largest hedge fund so far this month, and is moving to trim positions.

* Germany's largest mutual fund, Deutsche Bank's DWS, said its ABS Fund lost 30% of its value since July, as customers have withdrawn their money.

European Central Bank Pumps Liquidity Into Markets

Aug. 10 (EIRNS)—For the second day in a row, the European Central Bank (ECB) pumped liquidity into the financial system, to try to stop the ongoing meltdown. Today, the ECB injected 61.05 billion euros, in the form of a three-day tender, which was intended to bridge the situation until Monday, when markets reopen.

The German daily *Handelsblatt* reported on its online edition, that the intervention was requested by 62 banks, which means that again today, the interbanking market was as good as dried out. Since the almost 95 billion euros that the ECB pumped into the system yesterday was in the form of an overnight loan, to be given back today, the new ECB action today means that 34 billion euros have already been lost.

Australian, Asian Central Banks Intervene with Liquidity

Aug. 10 (EIRNS)—The Bank of Japan dumped 1 trillion yen (\$8.5 billion) into its financial system. The Bank of Australia has, similarly, lent A\$4.95 billion (US\$4.2 billion), the most since 2003. Meanwhile central banks in the Philippines, Indonesia, and South Korea said they are ready to provide more cash if required. Banking sources report that the latter banks have already injected credit.

The three-month Japanese inter-bank rate climbed one basis point to 0.792%, the highest since September 1998. The Australian bank bill swap rate jumped to 0.6725%, the highest since Oct. 24, 1996.

According to *Bloomberg*, Japan's nine biggest banks have \$8.5 billion exposure to subprime mortgage backed securities, which is in reality much higher.

Moe Ibrahim, a fund manager with The Asia Debt Fund in Singapore, which manages about \$365 million, said: "There's a variety of scenarios you can envision, all the way ... to something which has much broader implications that causes the world to collapse like a deck of cards."

So. Korea Restricts Domestic Borrowing To Stop Carry Trade

Aug. 6 (EIRNS)—The South Korean government has implemented partial currency controls to prevent foreign currency borrowing by domestic firms aimed at speculating against the won through the yen carry trade. With the Japanese government clearly moving to restrict the carry trade, the South Koreans are effectively preventing speculators in Korea from feeding the monster which Japan is finally moving to kill. The Korean won has been driven up against the yen over the past two years, by carry trade speculators, borrowing yen at 0.5% and buying South Korean bonds at 4.25%.

South Korea's Finance and Economy Minister Kwon Okyu, speaking in Australia Aug. 3, said the yen carry trade was "a potential threat to the international financial markets."

Under the new law, beginning Aug. 10, those who have purchased foreign currencies in Korea will not be able to roll over their loans, except for loans financing overseas investments.

Unexplained Stock Sell-Off Reaches \$9-15 Billion

Aug. 10 (EIRNS)—The "unprecedented event," involving a massive sell-off of stock around the world by a single unknown entity, continued today, reaching \$9-15 billion, according to a knowledgeable source in the City of London. The "market neutral" funds, which are being hit hard by this sell-off, believed at first that it was a large hedge fund dumping its holdings before bailing out of the chaos in the global credit markets, but the sell-off has now become too large, "too big even to be Goldman Sachs," according to the source.

Lyndon LaRouche concurred, adding that it would be wise to look at operators like Australia's Rupert Murdoch, rather than normal speculators—that you must take into account such things as the Murdoch take-over of the *Wall Street Journal*. Look at the Australian and New Zealand financial chaos wrought by the unwinding of the yen carry trade, LaRouche

advised.

United States News Digest

Military Officers Cited for 'Christian' Video Roles

Aug. 7 (EIRNS)—The Defense Department's inspector general released a report Aug. 2 recommending that certain Army and Air Force officers be disciplined for appearing in a video used to raise funds for the "Christian Embassy." That Washington, D.C.-based group is in practice an adjunct to "The Fellowship," the secretive unit which captured the disgraced former Texas Rep. Tom DeLay (R) soon after he came to Washington. The Christian Embassy, founded in the 1970s by Campus Crusade for Christ leader Bill Bright, runs prayer meetings in the Pentagon and at U.S. military installations.

The I.G. report says Air Force Maj. Gen. Jack Catton, Army Brig. Gen. Bob Caslen, Army Maj. Gen. Peter Sutton, Army Brig. Gen. Vincent Brooks, and other lower-ranking officers "improperly endorsed and participated with a non-Federal entity while in uniform."

General Caslen is a former deputy director for political-military affairs for the war on terrorism, and now oversees cadets at West Point. The current Army Secretary, Pete Geren, a former aide to former Defense Secretary Donald Rumsfeld, also took part in the video.

The inspector general's report says the Army generals defended their actions by saying the "Christian Embassy had become a 'quasi-Federal entity,' since the DOD had endorsed the organization to General Officers for over 25 years."

Bush and Sarkozy Meet at Kennebunkport

Aug. 11 (EIRNS)—The Bush family compound in Kennebunkport, Maine was the site of a meeting this weekend, between President George Bush and French President Nicolas Sarkozy. Sarkozy arrived from his vacation spot in nearby New Hampshire and was welcomed by the Bush family, including former President George H.W. and Barbara Bush. In impromptu remarks with reporters while waiting for Sarkozy to arrive, George W. Bush said the two of them would have 45 minutes of "private time," during which they would discuss "some of the key issues of the world," including Iran. When he did arrive, Sarkozy had only warm words for Bush and for France's relationship with the U.S.

It was in Kennebunkport in July that Bush—with his father, but without his controller Dick Cheney—met with Russian President Vladimir Putin, and took his lead in undercutting the momentum of the confrontationist Cheneyacs, including an agreement to support nuclear energy development by other nations.

Prior to his departure for the United States, Sarkozy discussed a French nuclear power deal in the offing with Libya. "When a country goes towards normalization, and renounces terrorism, I prefer it get help to move towards democratization. It is also a signal to Iran to show how one can become reintegrated into the international community by cooperating."

Two New Signers on House Bill To Impeach Cheney

Aug. 5 (EIRNS)—The two latest signers of H.R. 333, the bill to bring articles of impeachment against Vice President Dick Cheney, filed by Rep. Dennis Kucinich (D-Ohio), are Sheila Jackson Lee (D-Texas) and Steven Cohen (D-Tenn.). This

brings the official total number of backers to 19, six of whom are members of the 23-person Democratic membership of the House Judiciary Committee, headed by Rep. John Conyers (D-Mich.).

Impeach Cheney? 'Dumbest Move Dems Could Make,' Says *Washington Post*/London *Guardian*

Aug. 5 (EIRNS)—A Sunday *Washington Post* headline screams that impeachment is "The Dumbest Thing the Democrats Could Do." Timed with the moment Congress returns home to face growing public fury at the Administration, lengthy arguments are presented to back up the concluding statement, "...impeachment is exactly the wrong step to take at exactly the wrong historical moment." It would fail, divide Democrats, rally Republicans, alienate "non-ideologicals," create a martyr President, lose the 2008 elections, on and on. Conspicuously, there are no citations of the leading fronts of the Impeach Cheney leadership, namely Lyndon LaRouche, or Rep. Dennis Kucinich (D-Ohio), and his H.R. 333 for impeachment proceedings, nor any other specifics of the many state and local resolutions, petitions, etc.

This is consistent with the pedigree of the author of the article, and the years-long "black operations" of this media nexus. The writer is Michael Tomasky, *American Prospect* executive editor, who, on May 7, 2007, took over as editor of the London *Guardian*'s U.S.-based website, opening next month.

The *Guardian* was the first British paper to print slanders against Lyndon LaRouche concerning the suicide of Jeremiah Duggan, a young British man. Its chairman, financier Paul Myners, is a Bank of England director, close ally of Prime Minister Gordon Brown, and the British government's leading spokesman for the looting of pension funds by hedge funds and budget cutters.

Tomasky is highly qualified for the *Guardian* assignment, and for doing the *Washington Post*'s dirty work. Among his deployments against LaRouche, is a slander article he wrote for *New York* magazine, Feb. 14, 2000, that Roy Innis had (falsely) "testified in a federal court that he'd seen no evidence of anti-Semitism in the Lyndon LaRouche organization, well after LaRouche's Holocaust denial was a matter of public record."

Republican Candidates Distance Themselves from Cheney

Aug. 5 (EIRNS)—In a campaign forum hosted by ABC News on Aug. 4, the Republican Presidential candidates responded to the question from the moderator, George Stephanopoulos, "There's been a growing controversy over the role of the office of the Vice President.... What authority would you delegate to the Office of Vice President?"

Sen. John McCain: "...I really would do what some Presidents have done in the past. A Vice President brings a certain area of expertise and talent. I would probably assign some of those areas, like telecommunications or some other important issues. But—

Moderator: "So not as wide-ranging as Vice President Cheney had?

McCain: "Look, I would be very careful that everybody understood that there's only one President."

Sen. Sam Brownback: "George, I wouldn't delegate things to the Vice President. But I would involve the Vice President in a lot of things.... Dick Cheney came in with a lot of experience ... on defense, foreign policy issues. And I think the President over-relied on that. I think Dick Cheney has done an admirable job. I think the President's over-relied upon that...."

Rep. Ron Paul: "...If you take perceptions from Washington, most people there behind the scenes think the Vice President

is more powerful than the President.

"Philosophically, I think this is the case. It's obvious that he represents a neo-conservative viewpoint.

"And my objection is that that has been the rejection of the Republican Party platform and traditional conservatism. And I think this is where we have gone astray. We have drifted from our fundamental premises and the conservative values that this party used to get."

Shuttle Blasts Off 'To Build the Station, and the Future'

Aug. 8 (EIRNS)—Space Shuttle Endeavour lifted off for an 11-day flight at 6:36 this evening, on a mission to deliver supplies, spare parts, and new hardware to the International Space Station. But the eyes of many schoolchildren will be watching Barbara Morgan, one of the seven crew members. An elementary school teacher from Idaho, Morgan was the back-up teacher-in-space to Christa McAuliffe, who died in the January 1986 Challenger accident.

After the accident, Morgan became a NASA ambassador, criss-crossing the country talking to students about space exploration, and returned to teaching in Idaho. She joined NASA in 1998 to train as an astronaut mission specialist. She is planning to teach at least one lesson during the Shuttle mission, and more if the mission is extended.

At a post-launch press conference this evening, NASA Administrator Mike Griffin was asked if he thought having Morgan on this flight, which has increased interest from the media, is good for the "public's attitude" toward NASA. Griffin, who always bristles at questions about people's "attitudes," said Morgan will "do some teaching in space and will do more when she gets back home." He added, "Everything we do in space excites kids."

Ibero-American News Digest

Bolivian TV Airs EIR Interview on World Crisis

Aug. 8 (EIRNS)—*EIR's* Dennis Small was interviewed for an hour last night on Channel 13-TV in La Paz, the Bolivian capital, with a report on the global financial crisis and Lyndon LaRouche's policy solutions. Supporters of the LaRouche Movement put out the word to their networks in advance of the interview, and one labor leader taped it, in order to circulate it more broadly.

Host Aníbal Aguilar, who has interviewed Small several times on his weekly program, asked questions based on his thorough reading of the LaRouche websites, including on the mortgage blow-out and the U.S. infrastructure and auto collapse.

One theme which drew a strong response was that Dick Cheney is the Augusto Pinochet of the United States—the U.S. Vice President and the late Chilean dictator were both put in power by the same financial interests. Another was the refutation of the ethanol/global warming/CO₂ hoaxes, and LaRouche's insistence on the need for nuclear energy.

Lula Kicks Off Aggressive Infrastructure Drive

Aug. 6 (EIRNS)—"We are going to transform this country into a real infrastructure construction site," Brazilian President Lula da Silva announced in his weekly radio show today. Roads, railroads, ports, and airports will be built under the government's over \$250 billion infrastructure plan, the Program for Accelerated Growth (PAC). He underscored, however,

that the first priority chosen by the government for the PAC, is to bring clean water and sewage services to the nation's poor.

Lula has been traveling the country for the past two weeks, launching basic sanitation public works projects, which he says are vital to protect Brazil's children from diseases like those which cause diarrhea, which can be deadly. In the process, he has been delivering exactly the kind of nationalist speeches, defending the population, which the oligarchic financial interests, such as the agents of Spain's Santander Bank and Boston's FleetBank which are esconced in the government, most fear. These bankers will do everything in their power to ensure that Lula's words are not translated into action.

For 30 years, no government has thought strategically about Brazil's development; not since the government of Ernesto Geisel in the 1970s has there been big investment in the nation's infrastructure, the President said in a July 26 speech launching the PAC's sanitation program in the state of Paraiba. People thought small, and listened to economists, who came with their "pretty, color graphs" to argue that investing in the poor Northeast, in railroads, in the great TVA-like water-management project for the São Francisco river basin, etc., are "not economically viable."

This is why today we have so many youth, aged 20 to 30, who are caught up in crime, violence and marginality, Lula said. These youth that we see today on television committing crimes "are the children of this country, the result of a historic period in our country in which social policies were not taken into account as a factor of our country's development. And why were they not taken into account? Because in this country, it became a custom to channel, as if they were investments, billions of reais [Brazil's currency] to economic groups, and to see the pennies channeled to attend to the poorest part of the population as an expense."

Ecuador's President Warns: Bankers Plan To Oust Him

Aug. 6 (EIRNS)—Ecuadorian President Rafael Correa alerted his fellow citizens two days ago, to be prepared for two "extremely rough" months, as the bankers' political parties will do everything they can to overthrow him months before elections for the Constituent Assembly are held on Sept. 30. Correa is immensely popular, because he has adopted a Franklin Roosevelt-like posture of taking on the financier interests, in order to develop the country. As of this time, his supporters are projected to sweep the Constituent Assembly elections.

In his speech to a military graduation ceremony on Aug. 3, and in his weekly radio address the next day, Correa warned that strikes, staged attacks, electricity blackouts, slanders, and false accusations, perhaps even the bankruptcy of a little bank blamed on the government, are being prepared, in the effort to block the "historic change" which can follow the elections if he wins. The banking interests "are very desperate, and are capable of any idiocy," he said. Already, the government knows of attempts to buy a rocket to use against him, and meetings to plot how to move against the President. They are already preparing the terrain so that, if enough money flows, the majority of the Congress might vote to unseat him, Correa said.

Correa noted in his radio address that the bankers know that should his movement win in the elections, the government will pass a law prohibiting financiers and bankers from owning any form of mass media, in which they disguise themselves as "journalists."

And then there is the matter of the 1999 collapse of the banking system, in which the same bankers who scream that Correa is a "socialist or communist," carried out the biggest robbery in the history of the country, seizing the bank deposits of the entire nation, Correa said. He reported that his government is investigating how that robbery was carried out, and the bankers fear the prosecutions which will follow.

Correa Is 'Most Important Target' of Economic Hit Men

Aug. 7 (EIRNS)—John Perkins, author of the best-seller *Confessions of an Economic Hit Man* (2004), was interviewed in late July by the Los Angeles Spanish TV network, Telemundo T-52, on the most popular news show "En Contexto," where he said, "I am very afraid of what may happen to [Ecuadorian President] Rafael Correa.... I think his life is in danger," because he denounces the IMF's so-called "Washington Consensus," and opposes neoliberalism and the ongoing process of globalization.

The anchorman interrupted him to ask, "But, wouldn't [Venezuelan President] Hugo Chávez be first on the list?" to which Perkins replied: "I believe that the government of the United States is afraid of Hugo Chávez, because Venezuela has a lot of oil, and we are going to need increasingly larger amounts of it in the U.S. That's why Venezuela is very important for the United States, and that's why we are walking very softly, treading very carefully with Hugo Chav@aaez. Ecuador, on the other hand, doesn't have oil, and it's not so important, but President Correa can serve as a model. That's why I believe he is the most important target, and his life is in danger."

Perkins' remarks reinforce Correa's own warnings of possible assassination attempts against him. Perkins knows whereof he speaks, having spent years, in his early career, helping to destabilize countries like Ecuador on behalf of oligarchic financial interests.

Anti-Immigrant Clampdown Slows Remittances to Mexico

Aug. 9 (EIRNS)—Mexican immigrants in the U.S., especially those living in states considered to be "new" destination sites, are sending less money to families back home, according to a just-released study by the Inter-American Development Bank (IADB). The decline is attributed to an increase in anti-immigrant legislation in several states, but especially in those where immigration is not an established trend, such as Louisiana, Georgia, North Carolina, Pennsylvania, among others. The hostile environment resulting from such action makes it more difficult for Mexican workers to find jobs, rent homes, or obtain services.

According to the IADB study, due to their increasingly uncertain circumstances, Mexican workers living in these and other Southern states are more likely to save money for future personal use rather than send it to family members back in Mexico. While 71% of Mexican workers in the U.S. regularly sent remittances home during the first half of 2006, that percentage dropped to 64% for the first half of 2007. And in 40 states where Mexican immigration is a newer phenomenon, the decline was even sharper, dropping to 56% this year from an average of 80% in 2006. In 2006, Mexico received \$23.1 billion in remittances; but in the first half of 2007, remittances have increased only by 0.6%, compared to a 23% increase for the same period in 2006.

Mexico and other Ibero-American nations depend heavily on remittances sent by their citizens from the United States. Over recent decades, International Monetary Fund policies and such travesties as the North American Free Trade Agreement (NAFTA), wrecked productive activity and employment in these nations, and forced large segments of their populations to emigrate in search of livelihoods. Now, under conditions of global financial breakdown, a reduction in remittances sent to Mexico could have a serious destabilizing effect. Only about half of the almost 2 million Mexicans living in the "new" U.S. migration destinations are sending back remittances, compared with four-fifths a year ago, London's *Financial Times* reported Aug. 9.

Western European News Digest

French Economist: Crunch Could Cause World Depression

Aug. 9 (EIRNS)—The well-known French economist Pierre-Antoine Delhommais warns today in *Le Monde* that if there is a financial collapse, it will be global.

At the end of June, Delhommais says, Bank for International Settlement (BIS) director general Malcolm Knight spoke of a "golden age" for the world economy, questioning whether it could endure. But now, globalization is full of "shocks and shockwaves." He demonstrates how the collapse of home prices in the U.S. could destroy the economy of every nation, including China and those in the euro bloc. If America's economy collapses, there will be no market for Chinese exports.

"Globalization is full of shocks, because it is full of speculative bubbles," Delhommais says, noting that the financial assets bubble is three times the world's GDP. "After the tulip bubble in the 17th Century in Holland, and the 1929 crash, we now have the American crisis of subprime mortgages, whose impact no one can forecast. Some are already dreaming about the 'the big one' that would bring into question the ... overwhelming power of the markets."

Delhommais concludes by quoting the late American economist John Kenneth Galbraith, "What we know with certainty is that speculative episodes never end lightly. It is wise to forecast the worst, even if, according to most people, it is unlikely."

LaRouche Economics at Center of French Website Debate

Aug. 8 (EIRNS)—The webmaster of a website (www.top-debats.info) that covers general information with emphasis on economics and finance, felt obliged to respond to those who disagreed with his occasionally running Lyndon LaRouche's and Jacques Cheminade's analyses (from the French website, www.solidariteetprogres.org). At the center of the debate is the accuracy of LaRouche's forecasts. The webmaster writes in a "Note from the webmaster—Lyndon LaRouche":

"...[W]hen certain of his analyses are shared by other economists or enlightened observers, or do correspond to my viewpoint, I will publish them in parallel with other articles. That is, in particular, the case with respect to his views on: 1) the subprimes, ... and 2) the LBOs (leveraged buyouts)....

"These huge volumes of speculation—playing ground for institutional investors—are a threat to the underlying economy and, in particular, for the individual investor who is tributary to the reactions of these stock market giants. THE RISK FOR A CRASH IS FROM NOW ON AT ITS PEAK!" (emphasis in the original)

Spanish Banks Will Sink with the Real Estate Market

Aug. 8 (EIRNS)—Spanish banks are in an extremely vulnerable position, due to their large exposure in that country's real estate market, according to the Bank for International Settlements' (BIS) latest annual report. The report, which, according to Chile's *Diario Financiero*, also warns of the risks to the global economy posed by the collapsing U.S. real estate market, describes Spain as the industrialized economy currently most exposed to this risk.

This is because bank mortgage loans, as a percentage of the total loans of the banking system, is far higher in Spain than in Australia, the U.S.A., Germany, or Japan, for example. Extending credit to the speculative real estate sector has become one of the Spanish banking sector's most important activities in recent years, and a source of lucrative profits, the BIS explains. But now, six Spanish banks listed on the Ibex-35 stock exchange have lost 9.1 billion euros in their share value just since July 18, the date on which Bear Stearns revealed that two of its large hedge funds had gone under.

As revealed by the Facset consulting firm, the Spanish construction sector is also highly vulnerable, with over 100 billion

euros in debt.

Le Figaro Covers Panic on Everywhere Street

PARIS, Aug. 7—With a picture of a teetering New York Stock Exchange, the Paris daily *Le Figaro* describes the panic overtaking the world markets. "A Wall Street Star in the Storm," referring to Bear Stearns, is the headline describing the market panic after the subprime burnout. Although some sense of reality penetrates, the dangerous illusion that disintegration can be controlled, remains dominant.

"The American subprime crisis has not failed to spread to Europe. In Germany, two cases—IKB last week and Frankfurt Trust yesterday—had to halt redemption from their funds, when panicked investors demanded to have their cash back. While Frankfurt Trust in vain explained that it had made no investments whatever in risky real estate credits over the last two weeks, investors demanded the return of EU40 million out of the EU160 million placed with the fund.

"In France, the most banks exposed to the U.S. markets also saw their stocks falling when the markets opened. This compelled Dexia and Natixis to publicly detail how exposed they were to the subprime market."

BAE Brushes Off DOJ Probe: Says It's 'Business as Usual'

Aug. 9 (EIRNS)—At a press conference announcing a 27% increase in earnings for the first half of the year, largely based on its U.S. defense contracts, BAE Systems dismissed questions about the U.S. Justice Department bribery investigation, claiming that neither the DOJ investigation in the U.S., nor the continuing but curtailed Serious Fraud Office investigation in the UK, will have any effect on its business operations.

"That's for the lawyers to take care of," said CEO Mike Turner in response to a reporter's question. He did, however, acknowledge that the company has "no idea" how long the investigations will continue. And despite the U.S. investigation of BAE's Saudi dealings under the Foreign Corrupt Practices Act, BAE expects the U.S. and Saudi Arabia to be its major growth areas.

However, the *Times* of London reports at least one way in which the Saudi slush fund scandal—widely known as the "scandal of the century"—is having an effect. This involves the anticipated signing of a 20 billion pound-sterling agreement between Britain and Saudi Arabia, for 72 Eurofighter Typhoons, to replace the Tornados bought as part of the original 1986 al-Yamamah deal. The new deal would be called "al-Salam."

Originally, the Typhoon contract was to have been signed in a public ceremony during the state visit of Saudi King Abdullah to the UK in late October, but this has now been scrapped, reports the *Times*, "to prevent embarrassing questions being raised about the involvement of the Saudi Royal Family in previous defense contracts with BAE." Instead, al-Salam will be announced quietly in a few weeks, and at today's press conference Turner said he did not even know when that would be.

Is Big Pharma Behind Brit Foot-and-Mouth Disease Outbreak?

Aug. 6 (EIRNS)—A lab owned jointly by Big Pharma conglomerates Merck & Co. and Sanofi-Aventis SA of France is the focus of an ongoing investigation into the latest outbreak of foot-and-mouth disease in Britain. The strain that has begun to infect cattle in Surrey, England, has not been found in animals recently, but was isolated 40 years ago. It is similar to the strain used at the Merial Animal Health lab in Pirbright, Surrey. The lab, which had \$2.2 billion in 2006 sales, has voluntarily ceased production.

The European Union has imposed a ban on importing all live animals, fresh meat, and milk products from mainland Great Britain. Announcing its ban, EU Commission spokesman Philip Tod declared all of Britain, except Northern Ireland, as a "high-risk area." Reuters reports that EU veterinarians plan to meet Aug. 8, at which time further restrictions may be imposed.

The outbreak is the first in Britain since 2001, when the government was criticized for its slow response. This time, Prime Minister Gordon Brown has vowed that the government would do everything in its power to halt the outbreak, according to CNN.

Debate Reflects Danish Schiller Institute Maglev Campaign

COPENHAGEN, Aug. 8 (EIRNS)—Under the headline "To Shanghai at 431 kph—By Train," Denmark's *Jyllands-Posten* translated a Bloomberg wire about the Shanghai maglev line, focussed on its non-technical problems. But, *Jyllands-Posten*—reflecting the major impact of the Schiller Institute proposal for a Danish national maglev system as part of the Eurasian Land-Bridge—added just under the headline, "The dream of a maglev connection between Copenhagen and Aarhus is often discussed in the Danish transportation debate. In China, they did something about it."

Russia and the CIS News Digest

Kissinger Praises Putin's 'Bold Initiative' on Missile Defense

Aug. 9 (EIRNS)—Russian President Vladimir Putin's offer to the United States to jointly develop and deploy a ballistic missile system is a "bold initiative," with "potentially profound, long-range significance," writes Henry Kissinger in today's *Washington Post*. This "historical initiative," which Putin has linked to NATO, Kissinger compares to President Ronald Reagan's "Star Wars vision," which posed "new creative opportunities." The potential is the shift into "a wider approach to other global challenges," by redefining the strategic relationship between the United States and Russia, bilaterally, and also, importantly, through NATO.

Kissinger does not believe the United States should back away from its plan to deploy components of the system in Poland and the Czech Republic, because it "underline[s] their ties to America." But what the United States should do, he counsels, "is limit the proposed deployment to its stated objective ... and find ways to define specific steps that separate the anti-missile deployment in Central Europe from a strategy for a hypothetical and highly implausible war against Russia."

U.S. General Levels More Provocations Against Russia

Aug. 9 (EIRNS)—The recently confirmed vice chairman of the Joint Chiefs of Staff, Marine General James Cartwright, told the Senate Arms Service Committee on July 31 at his confirmation hearing, that the Bush Administration will not extend the U.S.-Russian START Treaty, because "it will provide greater flexibility to pursue prompt global strike solutions." Cartwright has been a promoter of a conventional, non-nuclear "prompt global strike capability," which, he admits, is not easily distinguishable from a nuclear capability. Sergei Markov, head of the Institute of Political Research in Moscow, responded: "All that we see today is that a global superpower is essentially ruled by extremists who commit catastrophic mistakes, throwing the world into risky ventures," Novosti reported on Aug. 2.

Cartwright, when asked about ways to reduce tensions with Russia, said that the Russia-NATO Council should work toward "managing Russia's reaction to possible NATO enlargement." Goals should include "to help allies' concerns about a resurgent and assertive Russian Federation and remind them of the importance of united pushback against Russian

behavior when needed." Russia Today TV on Aug. 1 characterized this view as no different than the rhetoric of the Cold War.

Lyndon LaRouche responded to Cartwright's statements: "Idiots in a bankrupt nation, want to send that nation to a world war."

Russia Charges Georgian Missile Incident Was Provocation

Aug. 7 (EIRNS)—The Russian Foreign Ministry has an official commentary on an incident that occurred yesterday evening near the border of South Ossetia, a district within Georgia that has declared its autonomy. Denying charges from Tbilisi that a Russian plane had violated Georgian airspace and fired a missile, the Foreign Ministry called the incident "a new provocation," aimed against renewal of work by the Mixed Control Commission on a Georgian-Ossetian settlement. According to the statement, the missile was reportedly fired by an Su-25 fighter-bomber "with Russian markings," but the Russian General Staff "categorically denies any flights by Russian aircraft in airspace near Georgian territory at the time in question." The Foreign Ministry suggests that Georgian opponents of a settlement deployed the plane and its air-to-ground missile, in order to impede the Control Commission's work. Russia's just-arrived special envoy for those talks, Yu. F. Popov, has now left Tbilisi for the South Ossetian capital of Tskhinvali to investigate, according to the statement.

Chinese and Russian Presidents Increase Cooperation

Aug. 10 (EIRNS)—Chinese President Hu Jintao and Russian President Vladimir Putin will meet twice next week, both at the Shanghai Cooperation Organization summit in Bishkek, Kyrgyzstan, and at the SCO joint maneuvers near the Russian Ural city of Chelyabinsk, and will discuss security cooperation and joint energy projects, Voice of Russia reports today.

President Hu will also visit Kazakhstan during his tour Aug. 14-18. The trip will help bring relations between China and its Central Asian neighbors into a whole new age, Chinese Assistant Foreign Minister Li Hui announced in Beijing yesterday. The SCO nations are to sign a "long-term good-neighbor treaty of friendship and cooperation" in Bishkek, Li said. "The treaty will confirm the SCO spirits of pursuing peace and friendship generation over generation in the form of a legal document, which is of great significance to mutual trust and mutually beneficial cooperation in central Asia."

China has already signed a bilateral Good Neighbor treaty with Russia, and with the other SCO members. However, this multilateral treaty "will have more binding force ...and lay a legal foundation for the good-neighborly ties among SCO member countries," Xinhua quoted Xu Tao, of the China Institute of Contemporary International Relations.

As the SCO maneuvers got under way yesterday, Gen. Yuri Baluyevsky, Chief of the Russian General Staff, said that successful economic activities within the SCO "are impossible without building up security in the region, particularly involving the SCO military agencies in this process," Itar-Tass reported. Baluyevsky was speaking from Urumqi, China, where the SCO military leaders will meet during the maneuvers. Baluyevsky said that the SCO is not forming any military-political bloc, but that it is a priority to work out "conceptual foundations of military cooperation within the SCO framework." Russia has already proposed a draft policy, which must now be considered. He also said that the SCO is preparing to deal not only with terrorism, extremism, and drug trafficking, but also stressed the problems of ensuring information security "in conditions of the growing pressure on part of media outlets in some Western countries. These countries keep making attempts to persuade our peoples that so-called 'truly democratic'" public institutions "on the Western pattern" must be set up, and this "contributes to the destabilization of the situation in the countries of the region," Baluyevsky said.

Mironov: Food Price Inflation Is National Security Issue

Aug. 9 (EIRNS)—Inflation, especially of food prices, has to be seen as a national security issue, Russian Federation Council Speaker Sergei Mironov stated yesterday, the daily *Kommersant* reported. Mironov, speaker of Russia's Federation Council, called for government regulation of staple food prices. "I am convinced that the state ought to regulate prices on such basic foods as bread and milk. We need to buy from farmers not only grain at fixed prices, but milk and meat as well," Mironov said. He called for special agricultural exchanges to let the state buy agricultural products.

This issue is all the more acute if we view a galloping growth in food imports as a threat to national security," he stated. "Authorities ought to take a more active part in staple foods pricing, not only record growing prices on the basic food basket. We need to entirely reconsider the state's relation to agriculture as part of a strategy to ensure the natural food security."

In Russia, bread prices have risen 7% in the past seven months, and a "basket" of basic food costs 17% more nationwide this year. Food prices have risen higher in Moscow and are especially high in the Far East regions. There is more pressure on living standards, due to rising utilities costs, which are up 13% this year. Mironov said that "no pay or pension rises can make Russians feel better, if essential goods such as bread, flour, milk, and vegetables keep moving up."

Southwest Asia News Digest

Jewish Leader: 'Middle East Peace Process Is a Scam'

Aug. 11 (EIRNS)—The entire Bush Administration's so-called "peace conference" involving the Arab states, Israel, and the Palestinians is a fraud, says Henry Siegman, in the current issue of the *London Review of Books* (Aug. 16). Siegman, director of the U.S./Middle East Project at the Council on Foreign Relations (CFR), is a senior voice of the international Jewish community, and is known as the highest-ranking Jewish member of the U.S. establishment. The article is titled "Middle East Peace Process Is a Scam."

Siegman demands that the U.S. and the European Union finally face up to the real impediments to peace among Israel and the Palestinians—that is, Israel's notion that the occupation of Palestinian territories, and the creation of "facts on the ground" to justify land grabs, can go on indefinitely. The problem isn't the failure of the Palestinians to renounce violence or to recognize the right of Israel to exist (which the PLO did, a "wrenching concession," for which they never received credit), Siegman writes, but rather "the failure of the international community to reject (other than in empty rhetoric) Israel's notion that the occupation and the creation of 'facts on the ground' can go on indefinitely, so long as there's no agreement acceptable to Israel." This is what has "defeated all previous peace initiatives and the efforts of all peace envoys."

Siegman charges that Israel's interest in a peace process "has been a fiction that has served primarily to provide cover for its systematic confiscation of Palestinian land and an occupation whose goal, according to former IDF chief of staff Moshe Ya'alon is 'to sear deep into the consciousness of Palestinians that they are a defeated people.'" He also notes that Dov Weisglas, chief of cabinet to then-Israeli Prime Minister Ariel Sharon, told the daily *Ha'aretz*, in a 2004 interview, that the strategic goal of Sharon's diplomacy was to put the peace process and Palestinian statehood in "formaldehyde." This is a "fiendishly appropriate metaphor," Siegman says, because formaldehyde "uniquely prevents the deterioration of dead bodies and sometimes creates the illusion they are still alive."

Siegman concludes that what is required is that the UN Security Council adopt a resolution that affirms the following: 1) Changes to pre-1967 borders can only be made by agreement between the two parties. 2) The default setting for UN Resolution 242 is a return by Israeli forces to the pre-1967 border. 3) If the parties do not reach agreement within 12 months, the default setting will be invoked by the Security Council, which will then adopt its own terms for an end to the

conflict and arrange for an international force to enter the occupied territories, help establish the rule of law.

Well-informed sources in Washington described this article as one of the most angry that Siegman has ever written. "He's had it with this administration," said one Middle East expert.

UN Report: Gaza Faces Economic Disaster

Aug. 10 (EIRNS)—The ongoing blockade of the Gaza Strip has precipitated an economic disaster there. As a result of the Bush Administration's anti-Hamas policy, both Israel and Egypt have closed the border crossings into and out of Gaza to all trucks except those carrying only humanitarian aid. The already fragile internal economy of Gaza, which has a considerable agricultural export sector, has been virtually brought to a standstill. Already 1.1 million of the 1.6 million Palestinians in Gaza are dependent on foreign aid. This will go to 100% very shortly.

Already, two weeks ago, the Palestinian Federation of Industries said it has lost \$23 million, and has been forced to dismiss between 70,000 and 120,000 workers in the private sector.

Fatah and Hamas in Secret Talks

Aug. 8 (EIRNS)—Secret talks, aimed at laying the basis for a reconciliation, are reportedly taking place between the Palestinian factions of Hamas and Fatah.

Hamas Prime Minister Ismail Haniyeh said on Aug. 7 that he was prepared to step down in order to pave the way for a resumption of talks between Hamas and Fatah. According a report in the *Jerusalem Post*, he said, "There are attempts to open channels of communication between the two sides. At this moment, we can't talk about a real dialogue, but these attempts could develop into something positive."

One of the proposals being considered is turning over the security headquarters in the Hamas-controlled Gaza Strip to Egyptian authorities. In fact, Egypt, along with a mediator from Kuwait, Muhammad Jassem al-Saqer, who is speaker of the Arab Parliament, is involved in fostering these talks. The two sides have already held meetings, so far at a lower leadership level, in the West Bank, Beirut, Cairo, and Damascus and in a number of Gulf states.

Ahmed Yusef, a political advisor to Haniyeh, said that the only thing blocking progress are some of the advisors to Palestinian President Mahmoud Abbas (Abu Mazen). "These people are serving an American-Israeli agenda," he said. "They want to maintain the split between the West Bank and Gaza Strip and are working toward foiling any attempt to reach an understanding between Fatah and Hamas...." Nonetheless he commented that mediation efforts were "very serious" and that they could "strike a deal" in the near future.

Dump Cheney, Not Maliki

Aug. 10 (EIRNS)—As the Cheney-Bush Administration made it clear that it wants to dump Iraqi Prime Minister Nouri al-Maliki, the Iranian leadership signalled, during the visit of Maliki to Tehran Aug. 9, that it now believes that U.S. troops should withdraw from Iraq soon. This is a shift from Tehran's earlier stance, whereby Iran wanted withdrawal to be postponed until the security situation were under control.

Al-Maliki met with all the top leaders: Supreme Leader Ali Khamenei, President Mahmoud Ahmadinejad, and national security chief Ali Larijani, as well as Vice President Parviz Davoudi. Maliki was also quoted by Iranian state media as praising Iran's "constructive" role in "fighting terrorism" in Iraq. Bush's public criticism of Maliki on this point is a

reflection of Cheney's commitment to remove the Prime Minister.

Khamenei told Maliki, in the Shi'ite holy city of Mashhad, that it was the presence of the U.S.-led forces that was the "biggest misfortune" shadowing Iraq. "The occupiers claim that if they exit now, Iraq will be destroyed. Whereas if the occupiers leave, all the Iraqi officials will move with full force to solve the people's problems," state television quoted Khamenei as saying. "The U.S. is trying to put in power a lackey government" in Iraq, Khamenei added. "But the U.S. policy will definitely fail and the victors in this arena will be the Iraqi people."

Al-Maliki was quoted as telling Khamenei: "Iraq should regain its independence and dignity. The Iraqi government is trying to get Iraq back to normal." Ahmadinejad earlier told the Iraqi Prime Minister: "Iran and Iraq both have heavy responsibilities to bring about peace and security in the region."

Maliki also made the gesture of meeting the families of Iranian officials arrested in Iraq by U.S. forces on accusations of being members of an elite Revolutionary Guards, on a mission to stir up trouble. "The Iraqi government will do all it can to release these people," Maliki said.

Lyndon LaRouche stressed that the U.S. effort to dump Maliki is a big mistake. U.S. credibility in the region is less than zero, and that any effort in the direction of regime change undermines the possibility of achieving stabilization. Therefore, there should be no more regime change. The lives of too many Americans and others have already been lost because of such policies. Instead of dumping Maliki, dump Cheney.

Asia News Digest

Asia's Poor Made Poorer by Globalization

Aug. 8 (EIRNS)—The Asian Development Bank's recently released annual statistical publication, *Key Indicators 2007*, points out that the globalization- and economic liberalization-led economic policies adopted by Asian nations since the early 1990s, have increased both absolute and relative inequality between the rich and poor, as well as internal violence. The report corroborates the observation made by Lyndon LaRouche years ago about the dangers posed by the economic models adopted by Beijing and New Delhi.

The difference in income between rich and poor has grown since the 1990s. By contrast, the economic developments, prior to the days of "globalization" and "economic liberalization" undertaken by two of Asia's newly industrialized economies, the Republic of Korea and Taiwan, had balanced growth which raised the standard of living of the poor.

In several cases, slow growth in rural incomes has resulted from weaknesses in public investments in rural infrastructure, and a policy environment that has kept private investment away. Meanwhile, growth in urban areas has been insufficient to absorb surplus labor from rural areas. Instead, new opportunities generated by urban growth in developing Asia have favored the highly-educated, further aggravating the earnings gap between rich and poor.

India, Myanmar Strengthen Infrastructure Ties

Aug. 8 (EIRNS)—India has offered Myanmar the immediate use of Sittwe port on the Andaman Sea as soon it becomes ready for navigational purposes, sources in India's Ministry of External Affairs confirmed today. The \$120 million project envisages upgrading the port and a linked waterway to upper Myanmar, from which a road is to be built to connect India's northeastern state of Mizoram. The fresh offer was made after Myanmar expressed reservations over New Delhi's earlier

proposal to develop the port and operate it for some time before transferring its ownership to Myanmar.

"The connectivity of the rest of India with northeast Asia would improve significantly if this project becomes a reality. Myanmar will benefit from additional revenues collected through goods going to India. It will also have a 225-kilometer-long navigable waterway in the bargain," said Minister of State for Commerce Jairam Ramesh.

India's interest in and involvement with Southeast Asia has been growing steadily over the past decade, and its concern for development of the Andaman basin has grown accordingly. In 2004, an agreement was signed in Yangon by the foreign ministers of India, Myanmar, and Thailand to develop transport linkages among the three countries. When complete, the 1,400-km road southern corridor of the Eurasian Land-Bridge will be a highway of friendship linking the peoples of South and Southeast Asia.

Mortgage-Backed Securities Woes Hit China

Aug. 7 (EIRNS)—The Bank of China will lose "several million dollars" on its investments in U.S. mortgage-backed securities (MBS), Zhu Min, vice president of the Bank of China, had to admit to the press at a conference in Beijing yesterday, Agence France Presse reported. The Bank of China is the nation's largest foreign-exchange bank. It has invested "several billion" U.S. dollars in mortgage-backed securities, Zhu Min said, but the losses would have "little impact," he claimed.

The Chinese purchases of these securities is just one aspect of efforts to pull more foreign financial flows into the U.S., as Bear Sterns and other investment banks are hit by the crash of the vast U.S. mortgage bubble. At stake is the value of the U.S. dollar, which China is trying to support.

The U.S. Department of the Treasury has just released a report saying that China was the largest investor for U.S. mortgage-backed securities over the last year. As of June 30, 2006, Chinese financial institutions had bought \$107.5 billion worth of these securities, an increase from \$3 billion in 2003. However, given China's vast foreign-exchange reserves of \$1.33 trillion, the biggest portion of which are invested in U.S. Treasuries, that amount is relatively minor in comparison. It is also unknown what part of these securities are in the now totally worthless subprime mortgage market.

The Bush Administration is trying hard to "sell" China on buying more of this junk, without much success to date. On July 13, Alphonso Jackson, U.S. Secretary of Housing and Urban Development (HUD), arrived in Beijing as an MBS salesman. These securities "yield a higher rate of return than a traditional U.S. Treasury bond, with the same credit risk," Jackson claimed. He did not appear to get many buyers. On Chinese investments in the Government National Mortgage Association (Ginnie Mae), which are government-backed MBSs, Jackson said that HUD "have not been a major player in that area. They bought some from us, but not in great numbers." When he met People's Bank of China governor Zhou Xiaochuan, Zhou asked him about the risks of holding Fannie Mae or Freddie Mac securities, Jackson said.

Africa News Digest

Darfur Rebel Groups Unify for Talks with Sudan Government

Aug. 13 (EIRNS)—After four days of talks in Arusha, Tanzania, Darfur's rebel groups on Aug. 6 agreed on a common platform for upcoming peace negotiations with the Sudan government. Eight rebel factions participated, agreeing on "a common platform on power sharing, wealth sharing, security arrangements, land, and humanitarian issues, for the final negotiations," according to an AFP release carried by the South Africa news service IOL, on Aug. 8.

The meeting began Aug. 3, three days after the UN Security Council approved the United Nations-African Union agreement for a hybrid, 26,000-strong peacekeeping force to be deployed into the Darfur region of Sudan. This had been agreed upon in negotiations in Addis Abeba, Ethiopia, involving the AU, the UN, and the government of Sudan, on June 12. The Arusha talks were also attended by representatives of neighboring Chad, Egypt, Eritrea, and Libya.

The two top mediators in the Arusha talks between the rebel factions were UN envoy Jan Eliasson and AU representative Salim Ahmed Salim. They are to travel to Khartoum soon, to consult with the government.

"We would want to see concrete commitment" from the Sudan government to a ceasefire, Salim told reporters after the talks. Salim and Eliasson now have to get the Khartoum to agree to negotiate on the rebel demands. The rebels at the Arusha meeting said they were ready to respect "a complete cessation of hostilities, provided that all other parties make similar commitments."

No details of the rebels' position on power-sharing and wealth-sharing were revealed; these are the issues which have been the cause of the failure of negotiations in the past.

One prominent rebel leader living in France, Abdel Wahed Mohamed el-Nur, did not attend. He does not have many troops on the ground, but reportedly commands a lot of support among Darfuris forced into refugee camps.

The Hassan al-Turabi-linked rebel group, the Justice and Equality Movement, which played a critical role in initiating the conflict in 2003, stressed that positions had simply been harmonized, but that no compromises with Khartoum had been agreed to. "We have not given up the resistance yet, spokesman Ahmed Hussein Adam told AFP. He also said that the demand that senior Sudanese regime officials be prosecuted by the International Criminal Court for war crimes and crimes against humanity, was still on the table.

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