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The Line Is Drawn:
Stop the Nation-Killing Bailout Now!
by John Hoefle

Immediately upon hearing of the action by Treasury Secretary Henry Paulson to have the United States government assume the liabilities of Fannie Mae and Freddie Mac, Lyndon LaRouche declared the move ``tantamount to treason." ``This is an un-Constitutional fraud," he said, adding, ``We're going to hold these people accountable for this `tantamount to treason' action." If they do this, he said, ``they are going to jail." For the past year, we have been warning that Paulson, Fed chairman Ben Bernanke, and the Plunge Protection Team were engaged in a systematic bailout of the bankrupt U.S. financial system, and, in doing so, were bailing out the global Anglo-Dutch Liberal system. Despite all the spin about ``protecting homeowners," this is a plan to save the parasites by transferring their losses to the taxpayers....

In-Depth articles from EIR, Vol. 35, No. 37
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Feature

- **What's Wrong in Europe?**
Are You Neotenous?
by Lyndon LaRouche

Julian Huxley's concept of 'neoteny,' refers to the case in which a species' process of development stops before adulthood, attaining only a sexually potent 'neoadult' phase. What would the consequences be if such a process were to take place culturally, on a mass scale, to human beings as, for example, among the Baby Boomers?

Economics

- **The Line Is Drawn:**
Stop the Nation-Killing Bailout Now!

After Treasury Secretary Paulson got the U.S. government to assume the liabilities of Fannie Mae and Freddie Mac, Lyndon LaRouche announced he will hold accountable those who carried out this unconstitutional travesty of justice.

- **Now Comes the Chain-Reaction:**
Blowing Up the World
by Lyndon LaRouche

LaRouche explains why Sen. Chris Dodd and Rep. Barney Frank showed both stupidity and cupidity in setting up the situation for Secretary Paulson's blowing out the U.S. dollar, on which the present world market depends absolutely, still today.

- **LaRouche Denounces 'Unlimited' Bailout '**

LaRouche denounced Treasury Secretary Paulson's Sept. 7 bailout as 'tantamount to treason' against the United States and its

Constitution.

- **Who Sold You Out?**

- Hank Paulson's Taxpayer Bailout of Speculators**

- EIR* shows :

- 1. What the bailout is; 2. How big it is; 3. Who authorized it; and 4. Who designed and backed it.

- **LaRouche's Program To Solve the Crisis**

National

- **Since Sunday, Sept. 7th:**

- Pelosi Democrats Buckle**

- by Lyndon LaRouche**

- The present world financial system has entered its global-collapse phase, says LaRouche, and the Democrats in the U.S. Congress are presently in a process of the kind of defeat the party experienced in the 1988 Presidential election-campaign, or worse, because they are not even admitting the collapse is on.

- **Anti-Hillary Cabal Targets Rangel**

- **LaRouche:**

- Nancy Pelosi Should Be Thrown Out**

- **Revolution in Military Affairs Suffers Setback**

- **National News**

International

- **Will Washington Allow Zardari's Political Survival?**

- The U.S. decision to land troops inside Pakistan's tribal areas without permission, only three days before the spouse of the assassinated Bhutto's, Asif Ali Zardari became president, raised a furor in Pakistan that hobbled Zardari as soon as he began his Presidency.

- **SCO Reaffirms Role in Eurasian Stability**

- The meeting of the Shanghai Cooperation Organization (SCO), not only refused to attack Russia for its defense of South Ossetia, but reflected a strengthening of the memberstates' commitment to ensuring stability against Anglo-imperial provocations.

- **Soros's British Cartel Takes Aim at Mexico**

- The criminal activities of George Soros's Latin American Commission on Drugs and Democracy are being attacked by an international campaign launched by the political movement of Lyndon LaRouche.

- **LaRouche vs. Keynes:**

- Bretton Woods Debate Breaks Out in France**

Editorial

- **Now More Than Ever, the Big Four**

U.S. Economic/Financial News

Now the Highway Trust Fund Needs a Bailout

Nearly 102,000 Foreclosures in August

Eighth U.S. Bank To Fail in Two Months Gets Bailed

Tax Evasion Investigation Points Towards Hedge Funds

Now the Highway Trust Fund Needs a Bailout

Sept. 7 (EIRNS)—The Highway Trust Fund, which was a focus for public-private-partnership (PPP) treason by the Bush Transportation Department, is instead being exhausted and requires new Federal investment, unless the gasoline tax is raised.

The Trust Fund has been budgeted to generate \$52 billion this year; not all of it to be used for highways—20% of this is committed to urban light rail/mass transport. Commitments to state and local governments have been made on this basis. But in September, the Trust Fund will take in only \$2.7 billion, according to Transportation Secretary Mary Peters, because of reduced auto and truck transport in the economic collapse.

September reimbursement requirements are \$4.4 billion, Peters said. She did not repeat the PPP proposal for letting private financial interests buy into the revenues from the Trust Fund. But, according to news wires, she said the Transportation Department would both reduce, and slow down, the payments to states.

Peters otherwise asked for an \$8 billion Congressional allocation (only 1% of the "bazooka" bailout being pumped out through Fannie Mae and Freddie Mac). This has passed the House, but not even been taken up in Senate committee. The Surface Transportation Commission, which just delivered a report on the future of transportation funding, recommended that the 18 cent Federal gas tax be doubled, beginning with an immediate rise to 25 cents/gallon, or 6-8%.

Nearly 102,000 Foreclosures in August

Sept. 8 (EIRNS)—Nearly 102,000 U.S. homeowners lost their properties to foreclosure in August, up nearly 6% from July, and more than 80% from August 2007, according a Foreclosures.com report released Sept. 8.

So far this year, lenders have repossessed a record 656,545 properties nationwide—or 8.6 of every 1,000 households in the United States. They are expected to repossess more than one million nationwide by year's end.

Year-to-date, 1.45 million homeowners (19.6 of every 1,000 households) faced pre-foreclosure actions by lenders, almost double the number a year ago.

The data are based on the number of formal notices filed against a property during the foreclosure process. That can include notice of default, notice of foreclosure auction, and/or notice of REO (lender-owned real estate that occurs after a foreclosed property fails to sell at auction and reverts back to the lender).

Three states—Arizona, California, and Florida—account for more than half of the pre-foreclosure as well as REOs.

The Mortgage Bankers Association in its National Delinquency Survey last week reported 6.4% of all mortgage loans were delinquent in the second quarter, not including those in the foreclosure process. A total of 2.7% of loans were somewhere in the foreclosure process.

The Southwest reported by far the most foreclosed property filings year-to-date, 348,019 or 12.7 filings per 1,000 households. The Southeast leads the nation in pre-foreclosures filed year-to-date with 477,177, or 27.5 filings per 1,000 households.

Eighth U.S. Bank To Fail in Two Months Gets Bailed

Sept. 7 (EIRNS)—"Despite the challenges the financial industry is currently facing, the banking system continues to be fundamentally safe and sound." That line was from George Burns. But not, as you might be guessing, *that* George Burns, not "Say good night, Gracie" George Burns.

This Burns is the Commissioner of the Nevada Financial Institutions Division (FID). He dropped the line after the FID shut down Silver State Bank on Sept. 5. The Federal Deposit Insurance Corporation has been appointed receiver of the bank, the 11th in the U.S. to fail this year. The FDIC said Silver State Bank's insured deposits will be assumed by Nevada State Bank of Las Vegas. Its branches will reopen Sept. 8 as offices of Nevada State Bank in Nevada, and National Bank of Arizona in Arizona. It had \$2 billion in assets and \$1.7 billion in deposits as of June 30. Silver State Bank had operated 13 branches in Nevada and four in Arizona, as well as loan offices in Nevada, Utah, Colorado, Washington, Oregon, California, and Florida.

Andrew K. McCain, a son of Republican Presidential nominee John McCain, sat on the boards of Silver State Bank and of its parent, Silver State Bancorp, beginning in February, but resigned in July after five months, citing "personal reasons," corporate filings with the Securities and Exchange Commission show. Andrew McCain also was a member of the bank's audit committee, responsible for oversight of the company's accounting.

The younger McCain is the chief financial officer of Hensley & Co., the beer distributorship of which John's wife, Cindy McCain, is chairwoman. Andy is the Arizona senator's adopted son from his first marriage.

Tax Evasion Investigation Points Towards Hedge Funds

Sept. 11 (EIRNS)—Merely days after Henry Paulson acted unconstitutionally to bail out his speculator friends as provided by the Dodd-Frank bill (HR 3221), the Senate Subcommittee on Investigations released a 77-page report which exposes a \$100 billion a year tax evasion scheme devised by such named brokerage firms and banks as Morgan Stanley, Lehman Brothers, Deutsche Bank, Merrill Lynch, UBS and Citigroup in conjunction with major U.S. based hedge funds such as Moore Capital, Highbridge and Maverick Capital, to name just a few. As the Subcommittee reports, through programs with names like "dividend enhancement" and "dividend uplift," these banks and brokerage firms are using complex equity swaps, fake loans and sham stock sales, sometimes through entities in the Cayman Islands, to disguise dividend payments to clients.

Although the report focuses on how these U.S. financial institutions have helped "foreign" clients dodge dividend payments, the subcommittee chairman, Carl Levin (D-Mich.), points out that if you take a closer look, some of those foreign investors begin to look a lot less foreign. They are hedge funds organized offshore, often by Americans. "When the Subcommittee began contacting them, all of their key personnel turned out to be here in the United States. The so called 'offshore' hedge funds' main offices were here; their investment professionals and technical people live here. Most of these offshore hedge funds claim to be located in the Cayman Islands. The Cayman Islands, in fact, have 10,000 hedge funds,

more than any other country in the world. But the Cayman hedge funds we examined did not operate in any meaningful sense from the Caymans....

"Hedge funds run by Americans and invested in the U.S. stock market often create a shell of a presence in tax havens, presumably in part to avoid paying U.S. taxes. Then, when confronted by the one U.S. tax imposed on foreign investors receiving U.S. stock dividends, they turn to financial gymnastics to escape paying that tax as well...."

Global Economic News

- [Russian Stock Market in 'Free Fall'; Medvedev Calls for Liquidity Injections](#)

Russian Stock Market in 'Free Fall'; Medvedev Calls for Liquidity Injections

Sept. 11 (EIRNS)—The stock market collapse in Russia over the last days, brings to an end the illusion that Russia would remain outside of the world banking crash, and unfortunately, President Dmitri Medvedev is merely calling for capital injections into the stock markets. The pricking of the oil and gas bubbles, as well as massive capital outflows following the Georgian crisis, has aggravated the liquidity crunch in the country. In that context, some of the Russian oligarchs were caught with their pants down in a scam, unable to pay their margin calls, having borrowed a lot of money to purchase high stakes in companies such as Gazprom and re-lent it for speculative operations, reports the Sept. 11 *Financial Times*.

On Sept. 9, the (dollar-dominated) Russian Trading Stock Exchange (RTS) dropped by 7.51%, falling another 4.36% on the following day. It is down 39% this year. More than \$9.6 billion of the RTS index's market capitalization was wiped out Sept. 9, according to data from the RTS website. In Moscow, the ruble-denominated MICEX stock index also tumbled 9.08%. Oil and gas stocks, which dominate the RTS stock market, led the declines, with the RTS Oil & Gas index plunging 7.8%. Metals and mining shares also fell sharply.

According to the *Financial Times*, the Russian Central Bank injected \$10 billion in one-day loans, and Itar Tass reported that Medvedev called on the Cabinet and the Central Bank to take all necessary steps to draw extra funds to the financial market and claimed the "current situation in the Russian financial market is a temporary phenomenon and the national stock market remains promising." He called for a strategy to develop the stock market as fast as possible. "It will help improve the quality of the national financial system," he said.

United States News Digest

[Congressmen: Russians Were Right, We Were Wrong](#)

[Army Still Can't Get a Handle on Suicides](#)

[Hillary Clinton Takes the Lead on Russia Policy](#)

[While California Reels, Macho Arnie Struts](#)

Congressmen: Russians Were Right, We Were Wrong

Sept. 10 (EIRNS)—The Administration's anti-Russian line on the Russia-Georgia conflict was sharply challenged by both Democrats and Republicans at a House Foreign Affairs Committee meeting yesterday. Lyndon LaRouche commented that he was not surprised: Not all Americans, and not even all members of Congress, are stupid, LaRouche said, especially when some members of Congress are talking to veteran U.S. intelligence officers and getting the true picture.

The fact that the Georgians and their President, Mikheil Saakashvili, started the conflict, was brought up by committee chairman Howard Berman (D-Calif.) and Rep. William Delahunt (D-Mass.), as well as by Rep. Brad Sherman (D-Calif.) and Rep. Dana Rohrabacher (R-Calif.). Referring to reports that Saakashvili had launched a military strike against South Ossetia so that he would have a *fait accompli*, Delahunt charged that "we are being asked to reward that ... with a \$1 billion appropriation," that "everyone agrees that Georgia attacked and launched their military operations first."

"The Georgians broke the truce, not the Russians," Rohrabacher declared. "And no amount of talk of provocation and all this other stuff can alter that fact. Yes, some would cling to the fig leaf that the South Ossetians may have provoked attack by firing a rocket or artillery shell. This is reminiscent of the Gulf of Tonkin provocation.

"Let me just say that the Russians are right, we're wrong," Rohrbacher stated. "The Georgians started it. The Russians ended it."

Army Still Can't Get a Handle on Suicides

Sept. 10 (EIRNS)—The Army announced last week that 2008 is on track to be its worst year for suicides since the invasion of Iraq. In 2007, 115 soldiers took their own lives, compared to 102 in 2006 and 87 in 2005. As of Aug. 31, 2008, there have been 62 confirmed suicides, with another 31 cases pending final determination. At that rate, Army officials say, the year could finish with 140 to 160 suicides.

The problem continues to worsen despite all the attention given to it, including mental health studies and training given to soldiers which is supposed to help them spot the warning signs of problems in their buddies. When Army officials were asked, during a briefing with reporters, to what they attribute the increased suicide rate, they could not give an answer, except to say that the problem might be much worse without the training and support programs.

One expert consulted by *EIR*, however, argued that the Army training does not address the culture of the war environment, especially what happens to the brain and body on the battlefield, nor does it pay sufficient attention to helping soldiers readjust when they come home. As a result, "people are coming home and having nowhere to turn.... They're killing themselves, committing crimes, losing their homes, falling into drug abuse and alcohol abuse.... This is a cultural epidemic among veterans." He noted that while the level of violence, and consequently the level of trauma that U.S. troops are exposed to, is coming down in Iraq, the Pentagon is preparing plans to increase troop levels in Afghanistan, so the rotational stress that soldiers and marines are under won't be decreasing any time soon.

Hillary Clinton Takes the Lead on Russia Policy

Sept. 9 (EIRNS)—Disagreeing today with the Bush Administration's decision to ask Congress to approve withdrawal from the agreement for cooperation on civilian nuclear energy which had been negotiated with Russia, former Presidential pre-candidate Sen. Hillary Clinton (D-N.Y.) stated at a hearing on the Georgia conflict: "I am somewhat troubled by the withdrawal from the non-proliferation efforts that we are engaged in. I think we ought to be able to hold competing thoughts in our mind at the same time." While Russia is "more intent upon pursuing their own interests as they define them territorially, economically, politically," she stated, "I don't know why anybody is surprised by that.... Rather than seeking to isolate Russia, which I think is not a smart proposal, we should be much more strategic. And I don't know whether it is

our interest for the Administration to withdraw."

Clinton called for a commission to be established to determine, among other things, the circumstances under which the Russian-Georgian conflict occurred. "I believe that the Administration will be served to create this U.S. commission, which then could cooperate with the international commission ... to, in the first place, determine the actual facts, because there is a dispute about the facts, which may or may not be real." She added that if Bush does not accept her plan, she would propose legislation to establish the commission, which would also serve as a bridge to the next Administration.

While California Reels, Macho Arnie Struts

Sept. 8 (EIRNS)—Damages to the State of California are mounting, due to the failure of the legislature and Gov. Arnie Schwarzenegger to reach an agreement on a budget, which is now 71 days overdue. State Comptroller John Chiang announced that he has been unable to make payments of more than \$4.25 billion since July, when the previous fiscal year ended, due to the lack of a budget, and that \$7.6 billion in payments due in September will not be made.

The *Sacramento Bee* reported on Sept. 6 what the failure to make scheduled payments has meant to delivery of health-care services. Representatives of hospitals, nursing homes, adult care centers, and community clinics rallied at the Capitol, accusing state lawmakers of "criminal negligence" for endangering their patients. They say the state owes more than \$4 billion for MediCal services since the beginning of this fiscal year. These health-care providers have no money to pay vendors, and have taken up collections from employees to pay to keep the electricity on, and pay for lab supplies. Anne McLeod, a vice president for the California Hospital Association, told the rally, "No financial or political battle is worth the life of even one Californian."

Other speakers warned that lives are in jeopardy due to the shortage of funds, as many of these clinics will have to close. Schwarzenegger's response was in keeping with his Hollywood tough-guy image: "I will not be intimidated by anybody that is demanding more than the state can afford and that demands more than the state is wanting to give. So the prison guard union is not going to intimidate me.... I will not get intimidated." He has repeated, often, since his bogus election, that he will be "fiscally responsible," even if it kills. This may be the only promise he has kept since he became governor.

Ibero-American News Digest

South America, Minus Chávez, Moves To Prevent Civil War in Bolivia

Bolivian Military Rejects Chávez Troop 'Offer'

Argentina and Brazil Form High-Tech Alliance

Argentina Flanks Creditors, Again

Hurricanes Wipe Haiti Off the Map

South America, Minus Chávez, Moves To Prevent Civil War in Bolivia

Sept. 12 (EIRNS)—South American Presidents, at least most of them, are mobilizing to head off imminent civil war in Bolivia, which they well know would rapidly engulf the entire region.

Bolivia stands on the brink of disintegration, along precisely the lines outlined by London's U.S. neoconservative outlet, the American Enterprise Institute, in June 2004. AEI promoted a plan for Bolivia to break up into two "nations," one, primarily in the Andes, based on a coca economy; the other, led by the province of Santa Cruz in the East, based on oil and gas, with one or more neighboring states backing one or another of the separate parts. Thus far, however, only Hugo Chávez of Venezuela is playing into London's game.

The conflicts, which have worsened, since both President Evo Morales and his opponents, the governors of the eastern provinces, won strong majorities in the Aug. 7 recall referendum, reached a breaking point this week, when peasants marching to confront provincial leaders in outright insurrection against the central government were massacred, and Bolivian gas pipelines to Brazil were sabotaged, in the midst of threats by leaders of the eastern, separatist states to blow up oil installations.

Morales expelled the U.S. Ambassador, charging he was supporting a separatist move in the East.

Chávez, whose overt intervention into Bolivian affairs was already a point of conflict, provocatively announced that he stood ready to militarily back any movement to restore Morales to power, should he be overthrown. "If we have to create one, two, or three Vietnams, we're willing," he raved. He then expelled the U.S. ambassador to Venezuela, "in solidarity" with Bolivia, while shouting against "shithead Yanquis."

The other Presidents of the region, crossing the ideological, right/left divide otherwise polarizing South America, began mobilizing to use their concerted power to restore rationality. The Presidents of Argentina, Brazil, Chile, Colombia, Ecuador, and Peru, or their spokesmen, issued warnings that violation of the institutional order in Bolivia, acts of sabotage and violence will not be tolerated.

After multiple phone calls among the Presidents, an emergency summit of the Union of South American Nations (UNASUR) has been called for Sept. 15, in Chile.

Bolivian Military Rejects Chávez Troop 'Offer'

Sept. 12 (EIRNS)—Venezuelan President Hugo Chávez's provocateur "offer," to come to the military support of Bolivian President Evo Morales and his government, was sharply rejected by the Bolivian military high command today.

The General Commander of the Armed Forces, Gen. Luís Trigo, flanked by the heads of the Army, Navy, and Air Force, called a televised press conference, to read a statement directed to "Mr. President of Venezuela Hugo Chávez, and the international community. We tell them that the Armed Forces emphatically reject foreign interventions of any type, no matter where they come from, and will not permit any foreign soldier or force to set foot on our national territory, and reject firmly and decisively any type of foreign intervention in affairs which are exclusively of national competence."

The Armed Forces added that they will defend democracy in Bolivia, and the "action of radical violent groups" will no longer be tolerated by the military.

Argentina and Brazil Form High-Tech Alliance

Sept. 8 (EIRNS)—At a time of great optimism in Brazil, over the development implications of the recent discovery of vast "pre-salt" offshore oil deposits, Argentine President Cristina Fernández de Kirchner made her first official state visit to the country Sept. 6-8, for discussions with Brazil's President Lula da Silva on strengthening bilateral ties and regional

integration. Most notable about their discussions, was the emphasis on strategic cooperation in high-technology, capital-intensive industrial development.

The two neighbors are working on 30 joint projects in peaceful uses of nuclear energy, including the creation of a joint uranium-enrichment facility. In aerospace, they are collaborating on the technical design of the Sabia-Mar Earth observation satellite, and establishing a production partnership between the Brazilian aircraft producer Embraer and Argentina's Cordoba Military Co.

Cooperation between their shipbuilding industries, both state and private, is on the table. Argentina's Association of Metallurgical Industries and Brazil's Machinery and Equipment Producers' Association are to cooperate to establish common goals for both nations' capital goods industries.

Lula announced also that the policy of carrying out bilateral trade in local currencies—either the peso or the real—is now effectively a reality, replacing the dollar.

Argentina Flanks Creditors, Again

Sept. 6 (EIRNS)—British financier interests are hysterical that Argentina has opted to make a lump sum, cash payment of \$6.7 billion it owes to the Paris Club of creditors, instead of taking up their "offer" to negotiate a deal—provided the government allow the IMF to audit the economy.

President Cristina Fernández de Kirchner chose to make the payment this way, rather than submit to an IMF audit. In announcing her decision Sept. 2, she explained that the payment is another step in the state's policy of reducing the country's debt burden—just as it did when it paid off the balance it owed to the IMF—in order to facilitate access to loans and proceed with the process of industrialization and improving living standards.

Three days later, Finance Minister Carlos Fernández announced that the government's representative to the IMF, Hector Torres, is being replaced. Torres was said to be close to Central Bank president Martin Redrado, who opposed using Central Bank reserves to pay the Paris Club, and was pushing instead for a renegotiation.

Immediately after the announcement, investors started dumping Argentine bonds, making dire predictions about a new default, while continuing to attack Fernández de Kirchner's "credibility." J.P. Morgan issued a confidential report threatening that if Argentina wants to "have access to the market, it will have to adopt an explicit 'adjustment,' both fiscal and monetary."

Hurricanes Wipe Haiti Off the Map

Sept. 11 (EIRNS)—"We're basically just waiting for death ... if they don't rebuild this country, we're all going to die here. What happens when the rains come again?"

This is the sentiment of the majority of Haiti's desperately poor population, which has been slammed by four tropical storms or hurricanes over the past month. Thanks to the lack of infrastructure—courtesy of decades of IMF austerity policy—people and their few belongings and makeshift houses, are being swept away.

The worst devastation is seen in the northwestern port city of Gonaives, with 100,000 people who are starving because all but a little infrastructure into the city has collapsed, preventing humanitarian aid from arriving. The hospital has been destroyed by floods. Bloated and decomposing bodies line the streets. "You can see it's not a town anymore: it's a river,"

said one observer. People try to filter water through a cloth to drink it, but it's completely contaminated by "corpses of animals, engine oil, and excrement."

Western European News Digest

EU To Study Tremonti Investment Proposal

Stockholm Conference Targets Soros on Drugs

Italy Stands Strong Against Cheney

Ukraine Too Big To Swallow for the EU

Perfidious Brits Receive Iranian Delegation

Mütefering To Make a Comeback in the SPD

EU To Study Tremonti Investment Proposal

Sept. 13 (EIRNS)—In a press conference at the end of the Ecofin summit today, Italian Economy Minister Giulio Tremonti reported that the Ecofin Council of EU Finance, Economic, and Budget Ministers, has decided to set up a committee to study his proposal to use the European Investment Bank as the instrument for a public investment policy in Europe. Tremonti called the decision a "success," but in reality it is a half-defeat. The Italian daily *Il Sole 24 Ore* had reported statements by German Finance Minister Peer Steinbrück, who said yesterday: "I received and read the two pages in which Tremonti presents his ideas. I intend to make no comments." Steinbrück added: "In general, we are not in favor of any structural change of European institutions, like the EIB." Steinbrück said he is in favor of French Finance Minister Christine Lagarde's proposal for the EIB to extend EU15 billion in credits to small and medium enterprises.

In his press conference, Tremonti said that he convinced Steinbrück that he does not want to kill the Stability Pact. He reiterated that Europe needs a public investment policy in infrastructure and energy, in particular, nuclear energy. On the Ecofin decision, Tremonti said that European reactions are "not instantaneous," but "it is better to start rather than to delay."

Tremonti gave his press conference together with Bank of Italy governor Mario Draghi, who is also the head of the Financial Stability Forum. As FSF head, Draghi intervened at the Ecofin meeting, reporting that the banking crisis has worsened and banks need at least \$350 billion, but that collecting capital has become hard.

In a related move, the Italian Economy Ministry announced that it is closely monitoring the Lehman Brothers crisis, because of the consequences of a bankruptcy on Lehman's activities in Italy.

Stockholm Conference Targets Soros on Drugs

Sept. 11 (EIRNS)—Participants from 82 countries attended the Sept. 8-10 conference of the World Forum Against Drugs, in Stockholm. The World Forum used the occasion to launch an offensive to defend the UN Conventions against drugs,

which George Soros's drug legalization apparatus intends to challenge at the upcoming UN Special Session on Drugs in March of 2009.

The LaRouche-affiliated European Labor Party (EAP) of Sweden, intervened with a statement by Colombian LaRouche Association leader Max Londoño (written to counter the conference held by George Soros's Latin American Commission on Drugs and Democracy (LACDD), Sept. 4-5 in Bogota). Calvina Fay, of the Drug-Free America Foundation, gave the closing speech at the Stockholm conference, blasting Soros and calling for a fight in which civilization is at stake.

The conference ended with a strong, 24-point resolution against drug legalization, denouncing the legalizers' euphemism of "harm reduction" as "too often another word for drug legalization or other inappropriate relaxation efforts, a policy approach that violates the UN Conventions." There can be no other goal than a drug-free world. Such a goal is neither utopian nor impossible."

Italy Stands Strong Against Cheney

Sept. 10, (EIRNS)—Lame duck U.S. Vice President Dick Cheney failed in his attempt to win support from Italian Prime Minister Silvio Berlusconi for his anti-Russian policy. The two met yesterday in Rome, and held a press conference, in which they seemed to be in two different worlds. Cheney condemned Russia's "unilateral efforts to alter by force of arms Georgia's internationally recognized boundaries," and said that NATO had agreed upon eventual membership for Georgia and Ukraine. Berlusconi spoke without a word of criticism of Russia, saying that Italy had made an effort to maintain the dialogue between Russia and the West, in an effort to avoid a return to the Cold War, and that this must be continued. He then had praise for the Italian-American friendship.

The *Financial Times* today took notice of the split, saying that the U.S. administration is disappointed at the extremely pro-Russian stance of one of its staunchest allies, and revealing that "the US blocked an attempt by Italy to call a routine meeting of the NATO-Russia Council after the invasion of Georgia."

Ukraine Too Big To Swallow for the EU

PARIS, Sept. 11 (EIRNS)—During the EU-Ukraine summit Sept. 9 in Paris, the EU opted for a quite minimal "association status" to be negotiated in March 2009 with Ukraine. *Le Figaro* reported that, while the Poles came in aggressively demanding full membership for Ukraine, even this minimal consensus position was difficult to reach, due to opposition within the EU to membership negotiations. Strong opposition came from the Netherlands, which thinks 27 members is already too many. Also, the "Old Europe"—France, Germany, and Italy—did everything they could to dampen Warsaw's aggressive lobbying.

The reality is that Ukraine is quite a huge piece, in terms of size and problems, for the EU to swallow in one bite.

Perfidious Brits Receive Iranian Delegation

Sept. 9, (EIRNS)—An Iranian delegation led by Deputy Foreign Minister for European Affairs Medhi Safari, arrived in London on Sept. 8 for three days of high-level meetings with the British government. The trip comes only days after the British government took the anti-Iranian terror group, the MKO, off its list of terrorist organizations.

The British government has the same hard-line policy against Iran as that of the Bush Administration, including on the nuclear program, yet it receives extremely high-level Iranian delegations. In contrast with the U.S., which has no relations with Iran, Prime Minister Gordon Brown's foreign policy advisor Simon McDonald is an Arabic-speaking Middle East

specialist who has held two postings in Saudi Arabia, and served as Britain's ambassador to Israel.

Müntefering To Make a Comeback in the SPD

Sept. 8 (EIRNS)—The decision of the past weekend's strategy session of the German Social Democratic Party (SPD) to propose Foreign Minister Frank-Walter Steinmeier for nomination as Chancellor candidate for the 2009 elections, probably was less of a surprise to many, than the other announcement, that the next national party convention would re-elect Franz Müntefering to the party chairmanship, from which he was ousted in November 2005. The return of Müntefering bodes well for cooperation with Russia and China; however it is highly problematic because of his continued commitment to the EU's supranationalism and to the pro-Maastricht "Agenda 2010" outlook, which gave Germany the Hartz IV and other budget-cutting monsters, to the disadvantage of the lower 80% of the population.

Müntefering's position would not be stable, anyway, because the same strong Fabian-ecologist current, whose intrigues ousted him from the party chair in 2005, will strike again, should anything positive come from the party top—like the anti-financial locust campaign that Müntefering led, before November 2005.

Russia and the CIS News Digest

[LaRouche: Russia Sees That Global System Does Not Work](#)

[Putin: 'Russia Will Never Forget' Ties with USA of FDR and Lincoln](#)

[British Hissy-Fit vs. Russia: Hit the Ruble](#)

[Medvedev Proposes Russian 'International Financial Center'](#)

[Putin Warns Britain on Provocations vs. Russia](#)

[Cheney Gets Cold Shoulder in Baku](#)

[Russian-Venezuelan Naval Maneuvers Planned](#)

[Baikal Investment Forum Opens](#)

LaRouche: Russia Sees That Global System Does Not Work

Sept. 10 (EIRNS)—Lyndon LaRouche today stated that he is "fully sympathetic" with the steps taken in recent weeks by the Russian government of President Medvedev and Prime Minister Putin, on behalf of world peace. They are on to the fact that the global system has entirely broken down and does not work, LaRouche noted, and that a solution must include the United States, a United States reoriented around the policies associated with Franklin Delano Roosevelt.

LaRouche blasted others in Russia, such as the views expressed by Yuri Gromyko in a recent interview in *Argumenty i F акты*, for being "totally disoriented" on the strategic situation. "Yuri should stop listening to strange voices," LaRouche stated, "and start listening to me again, which he hasn't done for a number of years. I will straighten him out, so that he and

others are not used by the friends of George Soros in Russia who are deployed against me," LaRouche said.

Putin: 'Russia Will Never Forget' Ties with USA of FDR and Lincoln

Sept. 13 (EIRNS)—The theme of Lyndon LaRouche's forthcoming Oct 1 international webcast will be: "Now More Than Ever, the Big Four": an alliance of the U.S., Russia, China and India to replace the present bankrupt monetary system with a Rooseveltian international credit system. Russia's leadership has sent another signal of how it would receive such a proposal from the USA.

In an interview with *Le Figaro*, Prime Minister Putin responded to a question about his expectations for U.S.-Russian relations: "I expect that relations should improve, but it is up to the Americans to make the effort, because the situation has deteriorated due to their sole responsibility. During the time of Lincoln, an American Secretary of State said that the United States wanted privileged relations with Russia, because Russia always desires the well-being of America.

"Since that time, a lot of water has flowed under the bridge. Our relations, depending on the moment, have had different characteristics. But always, when situations became extreme, the United States and Russia found themselves side by side. This was the case during the two World Wars. Russia will never forget it, and hopes that our American partners won't either."

British Hissy-Fit vs. Russia: Hit the Ruble

Sept. 11 (EIRNS)—Fresh from the disappointment of failed attempts to bluff Russia into a strategic backdown in Georgia, the miffed British financial media are beating the drums for a financial attack on the ruble. The *Financial Times* of Sept. 5 headlined, "Moscow Forced To Support the Troubled Rouble," which argued that recent Russian Central Bank's interventions to support the ruble showed that major capital flight is underway. In a Sept. 11 meeting with President Dmitri Medvedev, Federal Financial Markets Service head Vladimir Milovidov reported that net capital outflow from Russia of \$5 billion in August was not as severe as last January's \$10 billion, while Russia remains \$25 billion ahead, year to date.

In the same issue of the *Financial Times*, radical free-marketeer Anders Aslund, Senior Fellow at the Peterson Institute for International Economics, listed five demands by which "The European Union and U.S. should impose ethical and legal standards that make it costly for Russia to misbehave." The list includes having open access to Russian energy pipelines; forcing Gazprom to break up its "monopolies"; stepping up investigations of money-laundering by Russians; stopping Russia from courting Western businesses; and seeking evidence of corruption by President Putin.

Medvedev Proposes Russian 'International Financial Center'

Sept. 12 (EIRNS)—Russian President Dmitri Medvedev told a conference at the Kremlin yesterday that Russia must set up an international financial center in Moscow, RBC.ru reported. Medvedev's proposal, already made in his election manifesto and at the St. Petersburg Economic Forum, is to make Moscow "a powerful financial centre in the world and ruble into one of the leading regional currencies," RBC said. Recent events on global exchange markets, rising inflation, and the cash and liquidity crisis, "have called into question the leadership of traditional financial centers in the world and their ability to adjust the situation," RBC paraphrased Medvedev.

Medvedev instructed not only government economic ministers, but also Central Bank head Sergey Ignatyev, Sberbank president German Gref, VTB head Andrey Kostin, RTS head Roman Goryunov, and MICEX head Alexander Potemkin to come up with proposals promptly to make Moscow a world financial center.

Putin Warns Britain on Provocations vs. Russia

Sept. 11 (EIRNS)—In an interview with the *Times* of London, Russian Prime Minister Vladimir Putin warned the British that relations between the two nations would never improve, as long as London remained a base for anti-Russian operations. Referencing the activities of former Russian "oligarch" Boris Berezovsky, and Chechen rebel leader Akhmad Zakayev, Putin asked Britain "why are you allowing the territory of Great Britain to fight Russia? Why do you allow Great Britain to be used as a launch pad? That is why it is not possible to build a normal relationship."

Putin described George W. Bush as a man of honor and dignity, but added that he is not really in charge of U.S. affairs. "I still hope we can maintain good relations," he said, but admonished that "it is the court that makes the King." Putin remarked that "I treat President Bush better than some Americans would," in a tone described by the *Times* as "half-joking." But he very seriously warned the U.S. not to repeat the mistakes of the Roman Empire. "A Roman politician began and ended every speech saying that Carthage had to be destroyed. Eventually Carthage was destroyed and the area around it assaulted, but the Roman Empire was eventually destroyed by the Barbarians. We have to look out for Barbarians."

Cheney Gets Cold Shoulder in Baku

Sept. 6 —(EIRNS)—U.S. Vice President Dick Cheney got a "cold welcome" from Azerbaijan President Ilham Aliyev in Baku on Sept. 3, the Russian newspaper *Kommersant* reported from its sources in Azerbaijan yesterday. Aliyev "sent a clear message that Baku won't support the idea to redirect the energy resources pipelines so that they would omit Russia. He came to that conclusion watching the developments in the neighboring Georgia," the paper wrote. Presidential sources told *Kommersant* that "the talks turned out pretty tough.... Aliyev sent a clear message that, although he appreciates good relations with Washington, he is not going to have a row with Moscow. In fact it meant that under the present circumstances Baku decided to bide its time without fostering the [EU-backed] Nabucco oil pipeline project."

Russian-Venezuelan Naval Maneuvers Planned

Sept. 9 (EIRNS)—Venezuelan President Hugo Chávez announced during a Sept. 7 TV show, that the Venezuelan Navy will carry out maneuvers jointly with the Russian Navy in the Caribbean Nov. 10-14. This, he emphasized, occurs in the framework of having established Russia as a "strategic ally" of Venezuela during his last trip to Moscow at the end of July, when he also discussed military purchases. He denied that Russian military bases would be set up in Venezuela. Chávez said the exercises were agreed upon long before the crisis around Georgia's attack on South Ossetia. A Russian foreign ministry spokesman confirmed the plans.

Baikal Investment Forum Opens

Sept. 9 (EIRNS)—The 5th Baikal Economic Forum opened today in Irkutsk to discuss "Europe-Russia-Asia-Pacific Region: Roads of Integration and Cooperation." There was to be special emphasis on creating a Europe-Russia-APR transportation corridor and setting up logistics systems of Federal and international importance at the meeting, Itar Tass reported. Another key issue under consideration, will be how to increase the population of Siberia, which is essential if the region is to be developed. At the same time, however, the official in charge of Russia's Far East development projects, First Deputy Prime Minister Igor Shuvalov, emphasized public-private partnerships and globalization, saying that the Russian economy would become more open. A large part of the Russian government attended, including Minister of Economics Elvira Nabiullina, Transportation Minister Igor Levitin, and Minister of Natural Resources Yuri Trutnev.

Another forum, "Mega-Projects of Russia" was addressed by Minister of Regional Development Dmitri Kozak in Yakutsk

Sept. 6. Discussion focussed on large projects as a component of the Strategy for the Russian Federation's Development till 2020.

Southwest Asia News Digest

When It Comes to the Middle East, Rice Is Clueless

Livni Likely To Be Prime Minister Pick in Kadima Primary

Pentagon Wants To Sell Bunker-Busters to Israel

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When It Comes to the Middle East, Rice Is Clueless

Sept. 10 (EIRNS)—While Secretary of State Condoleezza Rice continues to shuttle back and forth to the Middle East, and to issue false claims of progress on an Israel-Palestinian deal, sources close to both the Palestinian Authority and Hamas say that a peace deal is totally off the table, and that talks could soon be suspended altogether.

Lyndon LaRouche commented, "Once again, it is clear that Condoleezza Rice is totally clueless."

The sources, who have recently conferred with Palestinian officials, say that Palestinian Authority President Mahmoud Abbas has firmly rejected the so-called "interim" peace deal, promoted by Rice, and backed by the soon-to-be-replaced Olmert government in Israel. Under the terms of the offer, the Palestinians would only get 93% of "Area A"—the sections of the West Bank around the cities of Bethlehem, Ramallah, Jericho, and Nablus—where the PA already exerts full authority. The rest of the West Bank would be subject to future negotiation; Israel insists that areas where there are substantial Jewish settlements would be retained by Israel, in return for areas in the Negev Desert. The interim deal would foreclose any right of return of Palestinians to Israel, and would place a cap of 20,000 Palestinian refugees returning to a Palestinian state over ten years. One source close to Abbas confirmed that he had rejected the proposal outright, and said that if he were to accept the sellout offer, he would be "writing his own [political] death warrant."

According to one expert, the Palestinians will now focus on solving the conflict between Hamas and Fatah, in anticipation of new Palestinian Authority Presidential elections in early 2009, which Hamas stands a good chance of winning. The source suggested that reconciliation talks, now taking place in Yemen, could move to Qatar. The Emir of Qatar hosted the successful Lebanon talks earlier this year, and participated in last week's summit in Damascus, which also involved France, Turkey, and Syria.

Livni Likely To Be Prime Minister Pick in Kadima Primary

Sept. 14 (EIRNS)—Kadima, the leading party of Israel's ruling coalition, will hold its primary on Sept. 17, which is likely to bring Foreign Minister Tzipi Livni into power as the next Prime Minister. Her closest challenger is Transport Minister

Shaul Mofaz, who has said that war with Iran is "unavoidable." If Livni wins, she will have to attempt to put together a new coalition government; if she cannot, she would face an electoral challenge by Likudnik Benjamin Netanyahu. The *Sunday Telegraph* of London reports that Livni is likely to cut off the talks with Syria, quoting Livni that Syria not serious about cutting its ties with either Iran or Hezbollah.

Pentagon Wants To Sell Bunker-Busters to Israel

Sept. 14 (EIRNS)—The U.S. Department of Defense announced on Sept. 12 that it intends to sell the Israel Air Force 1,000 new "bunker buster" smart bombs, Guided Bomb Unit-39 (GBU-39), which could be used against Iran. Congress has 30 days to object to the deal. Last week, it was reported that the U.S. was refusing a number of Israeli requests: for bunker-buster bombs; permission to use the Iraqi air corridor; refueling plans; and unidentified "advanced technological systems."

Turkey Caucasus Platform Gains Steam

Sept. 10 (EIRNS/Nouvelle Solidarité)—The proposal for a Caucasus Stability and Cooperation Platform launched by Turkey shortly after the outbreak of the Georgia crisis is gaining steam. Turkey has officially approached Russia, Georgia, Armenia, and Azerbaijan to join in this effort.

Turkish Prime Minister Recep Tayyip Erdogan visited Russia Aug. 12, where he met with Russian President Dmitri Medvedev and Prime Minister Vladimir Putin, while Russian Foreign Minister Sergei Lavrov recently visited Turkey for talks on the issue. The proposal, while first received with caution by Russia, is now being given very positive coverage in the Russian press, with Ria Novosti of Sept. 8 running an article entitled "Russia and Turkey launched the creation of a Caucus Security and Stability Platform" and another article in *Kommersant* of the same day.

On Sept. 6, the first discussions took between Turkish President Abdullah Gül and his Armenian counterpart, Serge Sargsian, when the latter invited Gül to attend the Turkish-Armenian World Cup soccer match in Armenia's capital, Yerevan. The trip, the first visit by a Turkish President to Armenia since 1991, was highly successful (the Turks won the match to boot), breaking the ice between the two countries, Gül received 65% approval in the latest polls of Turkish voters.

Gül travelled Sept. 10 to Baku, Azerbaijan for discussions with President Ilham Aliev as well. The big issue there is the continued occupation by Armenia of the disputed Nagorno Karabakh region, which lies within the borders of Azerbaijan. In 1993, Turkey had broken off relations with Armenia over its occupation, and Baku has said it could not join the Caucasus Platform until the issue is resolved.

Ahead of his visit to Baku, Gül, according to a report in the Turkish publication *Zaman*, expressed to the Azeri media "great pleasure with his visit to Armenia while looking forward to his visit to Baku. As he did in Armenia, he will bring up the question seeking a solution to the Nagorno Karabakh problem. Gül said all the nations of the region, including those proposed for membership in the Caucasus Stability and Cooperation Platform, should work to seek a resolution to this conflict."

The Caucasus Platform was examined during the recent visit in Moscow of Azeri Foreign Affairs Minister Elmar Mamediarov, while last week, Medvedev and Aliev spoke on the phone and decided to hold a summit where the question of Russian mediation between Azerbaijan and Armenia could be discussed, outside the aegis of the Minsk group of the OSCE, which until now had supervised that dialogue. The Caucasus Stability and Cooperation Platform could create the conditions for Turkey to finally enter into relations with Armenia, opening up their borders to trade, and giving Armenian

products access to Turkish markets.

It should also be noted that these events are taking place after U.S. Vice President Dick Cheney's visit to Georgia and Baku, and serve, at least on the part of the Azeris, to distance themselves from Cheney's hardline policies against Russia.

Assassination Could Threaten Lebanese Dialogue

Sept. 11 (EIRNS)—A car bomb yesterday claimed the life of Salah Aridi, senior member of the Lebanese Democratic Party and top aide to Druze leader MP Talal Arsalan. The assassination of Aridi, while reminiscent of the long string of car bomb killings of leading political figures since the murder of former Prime Minister of Rafiq Hariri in February 2005, was the first bombing of a pro-Syrian opposition figure. The Druze community has been split between the forces of Walid Jumblatt, which have supported the government throughout the past crisis, and those of Arsalan, whose opposition party has been allied with Hezbollah.

Just days earlier, President Sleiman announced that a national dialogue would commence on Sept. 16 to continue the progress made in the Doha agreements in May, which ended an 18-month government crisis and led to his election. While all political factions expressed support for the national dialogue, many fear that the assassination, the first in almost a year, could disrupt the unity talks.

Just hours before the assassination, a senior diplomatic source in Beirut told EIRNS that while the Doha agreements were holding up well, nonetheless the Saudis and their British controllers were pouring money into various destabilizing organizations to upset national unity in Lebanon.

Iraq's Maliki Blasts Paul Bremer

Sept. 14 (EIRNS)—Iraqi Prime Minister Nouri al-Maliki said the mistakes made by Paul Bremer, former U.S. head of the Coalition Provisional Authority (2003-04) caused no less danger for Iraq than terrorism. "The Iraqi administration and all government offices are suffering the consequences of Paul Bremer's mistakes," Maliki said, as reported by Iran's PressTV.

Asia News Digest

Fannie-Freddie Bailout Worsens Chinese Dilemma

The 'Pad Thai' Coup in Thailand

Mahathir To Rejoin Malaysia's Ruling Party

Japan's LDP Taro Aso Pledges Friendship with China and South Korea

Fannie-Freddie Bailout Worsens Chinese Dilemma

Sept. 9 (EIRNS)—While the People's Bank of China, like so many other institutions, endorsed the allegedly "stabilizing" effect of the U.S. government bailout of Fannie Mae and Freddie Mac, some Chinese economists were less impressed. The bailout will actually make China's current position in relation to the U.S. dollar—already between a rock and hard place—even more of a dilemma. Chinese investors stand to lose a lot if Fannie and Freddie go bankrupt.

Chinese Academy of Social Sciences (CASS) economist Dong Yuping told *China Daily* that the bailout does not solve anything. It will not improve the fundamental reality of the U.S. housing market, and the risks remain, he said. The bailout measures "will only work temporarily to stabilize market sentiment." More funds will have to be poured in, but the big problem is how the U.S. government will get the money. "It may pool the money through issuing new treasury bonds," Dong said. The question then will be, should China buy to support the T-bonds? Already, China's holding of U.S. Treasury bonds are depreciating in value as the dollar falls. China and Japan, the largest holders of U.S. Treasury bonds, "have a hard decision to make," Dong said. "If they increase their holdings, no one knows where the market will head. If they don't, their asset value may continue to fall." China holds an estimated \$500 billion worth of U.S. Treasury bonds.

Xinhua news also quoted CASS economist Zhang Ming, saying that the "U.S. sub-prime mortgage crisis has not ended. The rescue just indicates the seriousness of the problem, while we have to wait to see its effect."

As of the end of June, Chinese commercial banks held \$24 billion in Fannie and Freddie debt. The Bank of China has cut its holdings by some 25%, and said in August that it holds \$7.5 billion in these bonds, and \$5.2 billion in mortgage-backed securities, according to AP. The Industrial and Commercial Bank of China, the biggest commercial lender, said late last month that it owns U.S.\$465 million in Fannie and Freddie debt, plus \$2.2 billion in mortgage-backed securities.

The 'Pad Thai' Coup in Thailand

Sept. 9 (EIRNS)—Prime Minister Samak Sundaravej was thrown out of office today—not by George Soros's fascist mob occupying the Government House and demanding his resignation, not by yet another military coup, and not by the Parliament or his party, but by the Constitutional Court, which ruled that two televised cooking shows, done for free, constituted "outside work" by Samak, forbidden by the Constitution. This will be known as the "Pad Thai" precedent in international jurisprudence, after the famous Thai shrimp and noodle dish. It is appropriate that the mob on the street calls itself the People's Alliance for Democracy (PAD).

Samak, who had a TV cooking program for seven years, has accepted the ruling; there is no appeal in Thailand's monarchical system with its "Star Chamber" special courts, which have absolute power.

Parliament must now choose a new prime minister, expected to take place on Sept. 17. Samak's party, the People's Power Party (PPP), at first announced that it would run Samak again as its candidate, but the PPP's coalition partners protested, and PPP agreed to name a new candidate.

In the meantime, First Deputy Prime Minister Somchai Wongsawat is serving as acting prime minister. Essentially the only accusation against Samak by his opponents is that he's a proxy for the deposed Prime Minister Thaksin Shinawatra, who was driven out of office by the military in 2006, following mass demonstrations by the same Soros-linked mob now demanding Samak's ouster. Ironically, acting Prime Minister Somchai is Thaksin's brother-in-law.

Mahathir To Rejoin Malaysia's Ruling Party

Sept. 11 (EIRNS)—Dr. Mahathir bin Mohamad, the former prime minister of Malaysia, is reported to have requested to rejoin the government party, UMNO, which he headed for many years. Mahathir dropped out of UMNO three months ago, pledging not to return until the current Prime Minister, Abdullah Badawi, resigned. Mahathir has been on a rampage to remove Badawi (whom he had chosen as his successor), accusing Badawi of undermining Malaysia's economy, and blaming him for the loss of support enjoyed by the party under Mahathir's leadership. Mahathir blames Badawi for the threat posed by Anglo-American agent Anwar Ibrahim, who has gained support and is plotting to grab power.

It is not known if Mahathir has agreed to tone down his polemics against Badawi, but he was embraced by several leading members of Badawi's Cabinet—Trade Minister and UMNO Vice President Tan Sri Muhyiddin Yassin and Foreign Minister Datuk Seri Rais Yatim, indicating some accommodation with the current prime minister. Nonetheless, Mahathir has support for his call for Badawi to step down before Badawi had indicated he would, in 2010. There are party elections in December, and Mahathir is backing Tengku Razaleigh Hamzah (a former adversary who almost upset him in the 1987 election), to replace Badawi as UMNO president, and thus as prime minister.

However this plays out, there is a need to re-unite the UMNO forces immediately, both to prevent Anwar's "Soros" coup, and to meet the economic crisis being thrust upon Malaysia and the world by Anwar's British controllers.

Japan's LDP Taro Aso Pledges Friendship with China and South Korea

Sept. 12 (EIRNS)—The campaign for leadership of Japan's ruling Liberal Democratic Party (LDP) went into full swing yesterday, with five candidates stating their positions and soliciting votes among the party officials. The race was triggered when Prime Minister Yasuo Fukuda resigned at the beginning of the month because of declining popularity, even after he reorganized his Cabinet and proposed an economic stimulus package. He said that the party needed new leadership to prepare for new general elections.

The selection of LDP party leader will be held on Sept. 22 within a restricted constituency of party members in the Diet and in important local offices. The winner of the party vote will almost certainly become prime minister when the Diet convenes on Sept. 24, because of the size of the LDP majority in the lower house of parliament.

The leading candidate for the post is Taro Aso, secretary general of the LDP. Aso had previously been a member of radical free-trade "reformer" and globalizer Junichiro Koizumi's Cabinet, but he was the main proponent of the economic stimulus package proposed by Fukuda before his resignation, which is still on the table for passage when the Diet meets. Aso, a Roman Catholic, is the grandson of the post-war Prime Minister Shigeru Yoshida.

Koizumi has given his endorsement to Yuriko Koike, a former TV announcer and defense minister, who has staked out a claim as the candidate most likely to revive Koizumi's "market-friendly reforms."

Aso, who has run for the chairmanship previously, is considered a hawk on foreign affairs, but he made a point in his opening campaign remarks to emphasize friendship with China and South Korea. "There is concern I may antagonize China and South Korea," Aso acknowledged. But South Korea is a country that Japan has to team with, and Japan has to aim for "common benefit" with China, Aso said in a debate with the four other candidates.

Africa News Digest

Agreement Between Government and Opposition in Zimbabwe

Tanzania, Nigeria To Lead Effort vs. ICC in Sudan

Agreement Between Government and Opposition in Zimbabwe

Sept. 11 (EIRNS)—Zimbabwe's President Robert Mugabe and the opposition have agreed on a power-sharing agreement, as a result of negotiations mediated by South African President Thabo Mbeki. The final agreement is to be signed Sept. 15,

according to Mbeki, but he has not revealed any specifics yet. Mbeki will report the specifics of the agreement to the Southern Africa Development Community (SADC), which had named him the mediator.

Representatives of George Soros's Open Society Institute (OSI) have told *EIR* that opposition leader Morgan Tsvangirai, who confirmed that an agreement had been reached, was unlikely to sign anything that didn't give him enough power as head of the government, and that the British and U.S. governments would not support any deal in which Mugabe retained power. This signifies that the U.K. and U.S. would provide no development assistance to rebuild Zimbabwe unless their conditions were met. The South African *Business Day* reports the same thing today, citing British and U.S. diplomats who, *Business Day* said, are advisors to Tsvangirai.

Tanzania, Nigeria To Lead Effort vs. ICC in Sudan

Sept. 11 (EIRNS)—African Union chairman and Tanzanian President Jakaya Kikwete said on Sept. 9 that the AU Peace and Security Council will take the responsibility of handling attempts at the UN to stop the International Criminal Court's (ICC) attack on Sudanese President Omar Hassan al-Bashir, according to Sudan News Agency yesterday. The ICC accuses Bashir of genocide, in order to establish a precedent to be used to attack the sovereignty of any nation which resists London's imperial policies. Bashir is considered a safe target, since much of the international media has already declared him guilty of these charges.

Kikwete made the statement at a joint Sept. 9 press conference with Bashir in Khartoum, after their consultations. Kikwete emphasized that the Nigerian and Tanzanian ambassadors to the UN are now working in New York on this initiative, so as to freeze the ICC provocation for a year.

Kikwete also met in Khartoum with the chief of the joint AU-UN peacekeeping mission, to discuss the peace process in Darfur. He said that the intention of the AU is to work with the UN and the government of Sudan to realize peace and justice in Darfur, and to handle the humanitarian crisis there. He noted that this was the intention of the government of Sudan, and that the priority should be given to peace, humanitarian issues, protection of lives, and alleviation of suffering.

In what is seen as an effort to undermine this commitment to calm the situation in Darfur, U.S. Ambassador to the UN Zalmay Khalilzad said he expects the ICC to issue an arrest warrant for Bashir next month, i.e., during the UN General Assembly meeting, precisely when the AU Peace and Security Council would be trying to stop the ICC provocation.

Although the ICC warrant may reduce the charges against Bashir to something less than genocide, Khalilzad's actions divert attention from London, and shift them to the United States. One Washington analyst stated that all Khalilzad did was to make the Sudanese government think that the ICC was an operation coordinated by the United States.

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