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Hyperinflation Is Here!
This Economic Breakdown
by Lyndon H. LaRouche, Jr.

January 23, 2008

The insane U.S. decision, over the past week, to launch a ``stimulus" package for the U.S.A. economy, has committed the U.S.A. to its present entry into a new trajectory: that of a hyper-inflationary economic breakdown-crisis. This is a crisis whose effects, unless reversed very soon by the measures I have recently specified, would certainly radiate world-wide, almost certainly bringing the entire planet, soon, into a ``new dark age" comparable to that triggered by the Fourteenth-Century, medieval Venetian system's Lombard banking firms, such as the notorious House of Bardi....

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Feature

Hyperinflation Is Here!:
This Economic Breakdown

Lyndon H. LaRouche, Jr. writes that the insane decision 'to launch a 'stimulus' package for the U.S.A. economy, has committed the U.S.A. to its present entry into a new trajectory: that of a hyper-inflationary economic breakdown-crisis,' comparable to that of 1923 Weimar Germany. Unless this trend in policy-shaping in process is stopped, there is no part of the world which would not be soon swept into a chain-reaction form of global hyper-inflationary collapse comparable to that of Europe's Fourteenth Century. But this threat could be stopped, if the kinds of U.S. emergency reforms which LaRouche has prescribed, are taken.

Fed Copies Weimar Hyperinflation:
Yes, That Is a Stimulus Package, and No, I'm Not Happy To See You

The LaRouche Youth Movement Basement Team shows that the hyperinflationary frenzy which engulfed Weimar Germany in the years immediately after World War I, is a dramatic example of what can happen to a nation when its productive capacity is destroyed, and it turns to the printing of money to try to preserve its economy.

International

Russians Reply to Provocations by Warning of Nuclear War

Russia's Chief of Staff warned, in response to aggressive British-led efforts by Western nations to cut Russia down to size, that Russia reserves the right to conduct preventive war, including the use of nuclear weapons, if its sovereignty or that of its allies is under immediate threat.

Top Brass Hoodwinked by New CSIS Fraud

'Rogue Trader' Triggers Collapse:

Lie-Masters Invent New Fairy-Tale

Helga Zepp-LaRouche deflates the outrageous tall tale, that the dramatic Jan. 21 drop in the world stock markets was caused by a lone swindler at a French bank. The truth is that the world monetary system is in a systemic crisis.

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National

Bloomberg's Fascist Plot To Steal the U.S. Election

Avowedly pro-British New York Mayor Michael Bloomberg, with California Gov. Arnold Schwarzenegger, have created a Mussolini-style front to implement fascist economics, as part of Bloomberg's 'independent' effort to become President of the United States.

Schwarzenegger and Bloomberg:

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Economic History

'A Time of Unexampled Prosperity':

The Great Mississippi Bubble

In 1819-20, the American writer, historian, and patriot, **Washington Irving**, set out to educate his fellow citizens about the folly of succumbing to financial bubbles created by rampant speculation. He used the example of 'The Great Mississippi Bubble' of 1719, which was created by English speculator John Law in France, whereby Law sent the French economy into a speculative mania of soaring interest rates and hyperinflation, based only on the promise of future land values in France's Louisiana Territory around America's Mississippi River, which left the nation in ruins when the bubble burst.

The South Sea Bubble

Editorial

How To Defend Your Dollar

by **Lyndon H. LaRouche, Jr.**

U.S. Economic/Financial News

Now, Commercial Real Estate Is Crashing

Jan. 26 (EIRNS)—Commercial real estate, in conventional wisdom thought to be less vulnerable than residential real estate, is nonetheless crashing, especially the office real estate market in the United States.

In the fourth quarter of 2007, office real estate deals dropped 42% from a year earlier, and sales of property portfolios dropped to \$5 billion from the \$105 billion posted over the first three quarters. This is according to new data released by Real Capital Analytics on Jan. 25, and cited in today's *Financial Times*. A further symptom is that the number of newly issued commercial mortgage-backed securities, which are used to fund commercial real estate deals, dropped 54% in the fourth quarter, according to Bloomberg News on Jan. 26. The cost of borrowing for commercial real estate deals is rising, as are delinquencies in the \$3.2 trillion commercial market.

Sales volumes in retail commercial real estate dropped by 30%, buoyed by the closing of the mega-sale of apartment owner Archstone-Smith for \$22 billion. Otherwise, the drop in activity would have been 60%. Industrial property sales volumes were down 22% for the quarter.

Congressman Kanjorski To Investigate Monoline Insurers' Scams

Jan. 25 (EIRNS)—U.S. Rep. Paul Kanjorski (D-Pa.), having witnessed the havoc unleashed by the collapse of vulture bond insurers (a.k.a., monolines), upon municipal governments' credit ratings, pension funds, and the financial markets generally, has initiated an investigation of the bond insurance sector. Kanjorski, chair of the House Financial Services subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises, has demanded answers by Feb. 1 from five banking regulatory agencies, including the Federal Reserve, the SEC, and the Federal Reserve Bank of New York, and three state insurance regulators, in letters issued Jan. 23.

Citing news reports of the \$2 trillion of debt securities "guaranteed" by these vultures, specifically Ambac, MBIA, and ACA, Kanjorski asks the regulators to "detail steps you are taking ... [to] ensure the continued safety and soundness of banks and/or financial holding companies."

Meanwhile, according to the Jan. 25 London *Telegraph*, New York State Insurance Superintendent Eric Dinallo is circulating a desperate \$15 billion bailout scheme that would have the major U.S. banks buy \$15 billion of equity (stock) of the monoline insurers, to "shore up" the monolines' balance sheets.

New York State Sues Underwriters Over Countrywide Fiasco

Jan. 26 (EIRNS)—Goldman Sachs, Citigroup, JPMorgan Chase, along with 23 additional securities firms are being sued by three New York agencies for helping Countrywide Financial defraud investors. Two accounting firms and Countrywide management personnel are also named in the suit by the city and state comptrollers and their pension funds. "The underwriters and accountants enabled Countrywide to release false statements. Investors lost millions and New Yorkers lost their homes," according to New York State Comptroller Thomas DiNapoli, quoted in a Jan. 26 Bloomberg News report. The New York pension fund losses from Countrywide investments may reach \$100 million before the dust settles.

The suit points out that Countrywide CEO Angelo Mozilo and other company insiders were dumping millions of shares of Countrywide stock, even as they and the underwriting firms were hyping Countrywide loans as safe and profitable investments for New York public pension funds.

Fivefold Increase in California Foreclosures

Jan. 22 (EIRNS)—Today's *Sacramento Bee* reports that notices of default are up in the state in the fourth quarter by 114%, to 81,550 homes. Actual foreclosures, in which the bank or lending agency took over the home, totaled 31,676—a stunning fivefold increase, compared with 2006.

Among the areas hardest hit is Sacramento, the capital. In the eight-county Sacramento region, notices of default were up 106% in the fourth quarter. For the year 2007, foreclosures in the Sacramento region were up by 496%, to 10,049.

A spokesman for Gov. Arnold Schwarzenegger declined to comment on these figures, saying only that the governor "is very concerned" about the "situation," which he declined to describe as a "crisis."

Illinois Dem Calls for 90-Day Freeze on Foreclosures

Jan. 23 (EIRNS)—Illinois Democrat Rep. Phil Hare became the second from the state and the fourth in Congress to call for a home foreclosure moratorium, following Sen. Hillary Clinton (D-N.Y.), Rep. Chakah Fattah (D-Pa.), and Rep. Danny Davis (D-Ill.). "Our nation is in the midst of one of the most unique, devastating and tragic economic crises it has faced in some time," wrote Hare in a letter to the *Register-Mail* of Galesburg. "In the next few months, I will work to establish a temporary moratorium on foreclosures, help responsible consumers lock in a fixed-interest rate, and bring needed regulation and enhanced consumer protection against predatory lenders."

Hare, a freshman in Congress, represents a large agricultural district.

Rockefeller Cash Behind Bloomberg Infrastructure Swindle

Jan. 21 (EIRNS)—There was a fourth person on the stage at the Jan. 19 press conference that featured California Gov. Arnold Schwarzenegger and Michael Bloomberg, the would-be Mussolini-style independent candidate for President.

Standing alongside the fascist duo, and Pennsylvania Gov. Ed Rendell, was Judith Rodin, president of the Rockefeller

Foundation, whose money is bankrolling the "populist" Building America's Future Coalition, which aims to propel Bloomberg into the White House. The coalition is promoting a delphic scheme for infrastructure building as a counter to Lyndon LaRouche's efforts. So new that it doesn't yet have a website, the Rockefeller-funded group has big plans, including pulling hundreds of local and state elected officials into their swindle.

Global Economic News

Hyperinflation Shuts Spigot on World Food Program Supplies

Jan. 26 (EIRNS)—UN World Food Program (WFP) officials at the World Economic Forum at Davos warned that food supply shortages are threatening their humanitarian mission. "We have never seen this before: We went begging for wheat, and for two weeks we could not find it," today's *Financial Times* quoted one WFP official.

Behind the scarce market of food staples such as grains, are record-breaking price increases over the past months. Wheat, rice, and soybeans have reached all-time highs in the commodities markets, with corn at a 12-year high. Commodities dependent on these items—poultry, livestock, dairy, and eggs—are also inflated. Many countries are imposing export controls to secure supplies, especially for necessities such as wheat and rice. Export supplies have plummeted, leading to even more price increases. The cost of imported food rose in 2007 by 21% to \$745 billion for the world.

Food Shortages: Malaysia Begins Stockpiling Commodities

Jan. 26 (EIRNS)—The Malaysian government announced a program to stockpile food commodities, including wheat, edible oils, and others, in an effort to guard against shortages and out-of-control inflation. The inflation has provided a pretext for anti-government demonstrations. Malaysian police on Jan. 26 detained about 50 people from the opposition who called an unauthorized rally to protest rising prices of food and fuel.

I Must Maintain My Dignity, Said the Prostitute

Jan. 23 (EIRNS)—The European Central Bank, which is rapidly earning a reputation as the loosest tramp in Europe, due to the indiscriminate way in which it passes out its financial favors, announced yesterday that it would lend another Eu175 billion (about \$250 billion) to the banks in seven-day loans, more than the banks claim they need. Attempting to preserve the dignity of his institution, ECB president Jean-Claude Trichet told the European Parliament today, "Particularly in demanding times of significant market correction and turbulences, it is the responsibility of the central bank to solidly anchor inflation expectations to avoid additional volatility." The ECB may not have much, but it does have its pride.

China Sets Up Task Force To Monitor Banks

Jan. 23 (EIRNS)—The China Banking and Regulatory Commission (CBRC) is setting up a task force to monitor the effects of the global financial crisis on the nation's top five banks, *Xinhua* reported. The CBRC will pay particular attention to the valuations of securities affected by the banking and securities crisis in the West. Professor Zhong Wei of the Beijing Normal University, warned that bad assets are rising in the Chinese banks as a result of the problems, and the Bank of China, the nation's biggest foreign-exchange bank, denied reports that it has taken sharp writedowns on its holdings of Western securities.

United States News Digest

'The Return of Dick Cheney'

Jan. 25 (EIRNS)—Former CIA agent Philip Giraldi spoke in an interview on antiwar.com today about "the return of Dick Cheney." Giraldi said that Vice President "Cheney has made a recovery," and that President Bush is again listening to him, as opposed to Secretary of State Condoleezza Rice and Defense Secretary Robert Gates. Giraldi said he has talked to people in the Defense Department and in the intelligence community who all agree: Cheney has not given up the idea of going to war with Iran. He is looking for "stealth ways" to do it, such as using the Israelis. Cheney, said Giraldi, in a recent speech in Washington, "promoted the idea that the intelligence community has stabbed the President in the back." Giraldi writes in the coming issue of *American Conservative* magazine that Cheney told his associates, "something has to be done before President Hillary comes in." Cheney also referred to members of U.S. Army's CENTCOM command as "traitors."

Paul Wolfowitz Is Back at the State Department

Jan. 25 (EIRNS)—Paul Wolfowitz, who served as Assistant Secretary of Defense from 2001 until 2005, and was one of Dick Cheney's leading running dogs, is officially back at the State Department, after a brief interval at the World Bank. A press release issued yesterday, stated that he will head Secretary of State Condoleezza Rice's "International Security Advisory Board." When *EIR* asked the State Department press officer, "Who appointed Wolfowitz?" the abrupt answer was that Secretary Rice had "signed off on it." When pressed, "How was it done? Who recommended him?" the response was, "Condoleezza Rice signed off on it; that's all you need to know."

According to the State Department website, the panel "provides the Department with independent insight and advice on all aspects of arms control, disarmament, international security, and related aspects of public diplomacy." The panel will meet at the end of the month and is expected to have on its agenda Iran's nuclear program.

In January 2003, Wolfowitz told the Council on Foreign Relations in New York, "Disarming Iraq of its chemical and biological weapons and dismantling its nuclear weapons program is a crucial part of winning the war on terror." The U.S. then went to war in Iraq. No such weapons were ever found.

Rice Denounces Cheney Agent Over North Korea Policy

Jan. 23 (EIRNS)—Secretary of State Condoleezza Rice yesterday blasted Dick Cheney cohort Jay Lefkowitz, the President's human rights envoy to North Korea, for interfering in the Administration's political efforts in Korea. As LaRouche PAC reported Jan. 19 ("Cheney's Boys Try Again To Sabotage Korean Talks"), Lefkowitz spoke last week at the American Enterprise Institute, and pronounced that North Korea will not end its nuclear program nor supposed "proliferation," that the Six Party talks were a failure, and that bilateral regime-change policies should be implemented instead.

Rice today, on her way to talks in Europe, was asked by the press if Russia and China may believe U.S. press coverage that Lefkowitz speaks for the Administration. Rice responded: "Jay Lefkowitz has nothing to do with the Six Party talks, and I would doubt very seriously that they would recognize the name—no, I don't think they're confused.... He's the human rights envoy. That's what he knows. That's what he does. He doesn't work on the Six Party talks. He doesn't know what's going on in the Six Party talks, and he certainly has no say in what American policy will be in the Six Party talks."

Lefkowitz was a co-founder of the New Citizen Project (which spawned the pro-imperial war Project for a New American Century/PNAC) with neocon William Kristol and Straussian Gary Schmitt. Cheney and his assets have intervened repeatedly over the past seven years to disrupt those (including within the Administration) who have tried to solve the Korean crisis. North Korea is, in the neocon perspective, a prime target for preemptive nuclear war.

Cheney Is Focus of Missing White House E-Mails Probe

Jan. 21 (EIRNS)—The office of Vice President Dick Cheney became a focus of the missing White House e-mail scandal last week, when Rep. Henry Waxman (D-Calif.), the chairman of the House Oversight and Government Reform Committee, released details of a White House briefing given to his staff on Sept. 19, 2007. According to Waxman, the White House provided a chart (which they took back with them at the conclusion of the briefing) detailing 473 days in which various entities of the Executive Office of the President archived no e-mails. Waxman provided the dates of 12 days in which the White House Office archived no e-mails and 16 days in which the Office of the Vice President archived no e-mails.

While Waxman avoided speculation as to what was going on on those particular days, Associated Press noted in a Jan. 19 report, that those days included four in early October 2003, just as the Valerie Plame grand jury investigation was getting under way. "Can it be mere coincidence that some of the missing e-mail correspond to a key period during the Valerie Plame investigation?" asked Melanie Sloan, executive director of Citizens for Responsibility and Ethics in Washington (CREW). "Given everything else we know, that is nearly impossible to believe." According to an analysis posted by CREW on its website, the dates of the missing e-mails from Cheney's office also overlap developments in Congressional efforts to gain access to the records of his energy task force.

For Bush, a Picture Is Worth a Thousand Wars

Jan. 20 (EIRNS)—To get a glimpse at what really happened during President Bush's recent Middle East foray, in pursuit of a final peace deal between Israel and the Palestinians, consider the following report from Palestinian Authority sources; weigh it against the lavish claims of Bush "engagement," and deep dedication to a two-state solution, that have characterized White House "spin" of the President's eight-day tour of Southwest Asia.

Just hours before Bush's scheduled meeting with Palestinian Authority President Mahmoud Abbas, some of the President's advance men approached the Palestinian leader with a request—bordering on a demand, according to an informed account. The President of the United States, the report goes, insisted that, when he and President Abbas held their joint press conference, following their meeting in Ramallah, the portrait of Palestinian Liberation Organization founder and former PA President Yasser Arafat should kindly be removed from the wall, behind the two podiums. It seems that Bush was still so angry at the late Palestinian leader that the mere sight of his portrait would ruin his day.

In an unusual display of spine, according to reports, Abbas refused to remove the Arafat portrait from the press gallery. Eventually, the U.S. President backed down. And, in a final display of Palestinian anger at the Bush insult to their leader, when the two Presidents completed their private talks and moved into the press room to take questions from the media, the two podiums were switched, so that President Abbas was standing beneath his own portrait, and President Bush was forced to stand beneath the portrait of Arafat.

War College Meet: How To Spin Defeat Into Victory

Jan. 20 (EIRNS)—The U.S. Army has been confronted with the harsh reality that the best propaganda operations in the world cannot transform real-world defeat into victory. Case in point: At a recent three-day conference at the U.S. Army War College in Carlisle, Pa., a group of 250 military officers from all four service branches, along with a number of invited "experts," gathered to assess how the Pentagon can improve its "new media" operations, to enhance American war-fighting capabilities. According to a press release on the event, which was ambitiously titled "New Media and the Warfighter—A Workshop on Managing Information Effects in the Current Operational Environment," the participants took the case of the 33-day war in Lebanon between Israel and Hezbollah in July 2006, to assess information warfare

techniques and their impact on military operations.

According to several eyewitnesses, the biggest lesson to come out of the session was that, no matter how good the propaganda, it is impossible to "spin" defeat into victory. Israel suffered a dramatic military setback in the Lebanon war, and all of the attempts to rewrite the history failed miserably, despite the fact that Israel is the undisputed champion of "new media" operations and "information management," and a master of the blogosphere.

The lesson of July 2006 has, apparently, not been learned by the Pentagon spinmeisters. Since June 2007, Brig. Gen. Kevin Bergner has been posted in Baghdad, as the White House's chief propagandist, dishing out a steady stream of "evidence" that Iran is the source of all insurgency problems. Unlike his predecessor, Maj. Gen. William Caldwell, who delivered the White House propaganda line, but then assembled the Baghdad press corps "off the record" to give them the real story, Bergner is described as the truest of true believers. He was formerly the military deputy to National Security Council neocon Elliott Abrams, before landing the Baghdad spin post.

Ibero-American News Digest

Most Ibero-American Leaders in Denial Over Crash

Jan. 24 (EIRNS)—Mexico's Central Bank Governor Guillermo Ortíz reflected some sense of reality in his remarks Jan. 23-24, admitting that his country can't escape the effects of the global financial crash, although he couched it as a problem of the U.S. economy above all.

Speaking from Davos, Switzerland, where he was attending the World Economic Forum, Ortíz underscored that Mexico would be badly affected by the U.S. "recession," because the Mexican economy is so linked to the United States—40% of Mexico's GDP is based on exports to the U.S. market. He added that all of this has implications for the rest of Ibero-America as well.

The key, Ortíz said, "is how extensive the financial collapse will be in the United States and the developed countries." And it's not just an issue of the subprime market, because other credit markets in the U.S. and Europe are affected, now including credit insurers. "There is great uncertainty," he said, warning that this crisis could last for some time.

In contrast, President Felipe Calderón told a group of investors Jan. 23 that "the country can be at peace. This is just a temporary conjuncture, and Mexico will come out of it just fine ... we have a solid project which is for the long term."

Other Ibero-American Presidents and government officials are also stuck in varying states of denial, for the most part, proclaiming that their countries are "well situated" to face whatever comes. Brazil argues that it will be the least affected, because it has been "preparing for this moment for a long time." Argentina's President Cristina Kirchner has dubbed this crisis the "jazz effect," mistakenly arguing that it originated with the United States, and claims that with its "consistent model," and its unique way of "inserting itself into this globalized world," Argentina will weather the storm very well.

Tinder Piles Up for London's South American War

Jan. 21 (EIRNS)—Venezuelan President Hugo Chávez declared in his nationwide TV show Jan. 20 that he had ordered the militarization of Venezuela's border with Colombia, supposedly to stop contraband across the border—the latest in a string of provocations scripted in London. If the National Guard can't stop the contraband, the entire army will be sent to the border, and if necessary, we'll arm the people and call up the reserves, he swore, all the while denouncing Colombia's

President Alvaro Uribe as a "coward, liar ... a man who doesn't deserve to be President of anything, much less a country. A man like that only is good to be head of a mafia."

And while the immediate response of the Colombian government was that they will *not* militarize the border on their side, top officials of the Bush-Cheney Administration continue to troop through the Colombian capital, to issue threatening statements against Chávez and his government—also scripted in London. On Jan. 18, it was Adm. Michael Mullen, Chairman of the Joint Chiefs of Staff, who said the Venezuelan military buildup is destabilizing to the region; on Jan. 20, drug czar John Walters charged the Venezuelan government with facilitating the transport of a third of the cocaine produced in Colombia through Venezuela, on the way to Europe and North America. Next, Secretary of State Condoleezza Rice is scheduled to visit Bogota.

The situation is being primed for war. To whose benefit?

In its July 16, 1999 issue, *EIR* published an investigative feature entitled "London Subjects South America to Jacobin 'Chávez Project,' " detailing how and why British interests were sponsoring Chávez's bid for President. The cover of that issue ran the infamous picture of the "Grasso Abrazo," New York Stock Exchange chief Richard Grasso hugging Chávez's declared ally, Rafael Reyes of the Colombian narcoterrorist FARC.

London-Venezuelan Jacobin links are not new, as Britain's Foreign and Commonwealth Office (FCO) brags today. "Venezuela and the U.K. have strong historical links. These date back principally to British involvement in Venezuela's independence struggle and support for both Francisco de Miranda and Simón Bolívar, the 'Liberator,' both of whom spent time in London," the FCO's country profile explains. Chávez, it adds, "visited the U.K. as a guest of the British government in October 2001 and on a private working visit in May 2006. Venezuela and the U.K. enjoy a cordial and constructive relationship."

Lyndon LaRouche has noted that Bolívar at least had the good sense, at the end of his life, to repudiate his earlier British ties.

Brazilian Judge Bans Sales of Killer Video Games

Jan. 21 (EIRNS)—Last October, Federal Judge Carlos Alberto Simões de Tomaz of the Brazilian state of Minas Gerais, issued a ruling banning the sales of the CounterStrike and Ever Quest videogames, arguing that they posed a threat to public safety. On Jan. 18, the Goiás state government began to enforce the ruling, and the rest of the nation is expected to follow suit.

In his ruling, Judge Simões stated that these two games "stimulate subversion of public order, threaten the democratic rule of law and public safety," for which reasons, he said, their sales and distribution in Brazil should be prohibited. The national Department for the Protection and Defense of Consumers (Procon), linked to Brazil's Justice Ministry, subsequently advised its state and municipal offices to begin carrying out the judge's order.

It is noteworthy that in a June 13, 2002 speech before the São Paulo State Appellate Criminal Court, Helga Zepp-LaRouche addressed this subject of media violence, in a presentation entitled "Stop the 'New Violence'; Create a New Renaissance." Mrs. LaRouche described the violence found in games such as CounterStrike as a "threat to human civilization," and discussed her international campaign to have these games banned.

According to *O Globo*, Judge Simões' ruling was the result of a civil suit brought by federal law enforcement authorities, to have these games banned nationwide. The website of Procon's Goiás office states that the two games are "inappropriate

for public consumption," as they "incite violence, promote the idea that the weakest must succumb to the strongest, and disseminate [the ideas] that death, hate, and pain are pleasureable."

Particularly alarming to Brazilian authorities were the variants introduced into both games for a Brazilian audience, which included scenes of shootouts between police in Rio de Janeiro and drug-traffickers in the *favelas* (slums). According to specialists, these scenes "teach war tactics, where players must possess knowledge of hiding places, as if they were guerrillas." In making his ruling, Judge Simões reportedly consulted an earlier analysis by Federal Judge Claudia Maria Rezende Neves, also of Minas Gerais, in which she urged public action against similar violent games—Mortal Kombat, Duke Nukem, Blood, Requiem, Doom, and Postal—recommending that their sales be prohibited in Minas Gerais.

Chile's Private Pension Funds Go Up in Smoke

Jan. 24 (EIRNS)—Panic has struck Chilean government officials and authorities who oversee that country's private pension system. They've been huddled in meetings over the past two days, fearing—correctly—that the meltdown of the global financial system could spell the doom of the private pension funds, known as AFPs, which have a large percentage of their assets tied up in speculative investments abroad.

EIR warned in December 1995, when private pension funds totalled \$25 billion, that this would be the ultimate fate of the pension boondoggle that was imposed on Chile by force in 1981 by the fascist Pinochet dictatorship, under the watchful eye of George P. Shultz. The whole house of cards could come crashing down very quickly, *EIR* stated in a Dec. 11, 1995 press release, because at least two-thirds of that \$25 billion was invested in highly speculative paper linked to the international derivatives bubble.

Twelve years later, that now-gigantic bubble is exploding, as are the investments which Chile's AFPs have made in it. The funds today total \$104 billion, a whopping 80% of which can be invested outside the country. Since July 2007, the AFPs have lost \$10 billion. As the percentage the funds could invest abroad was increased over the years, the funds' controllers jumped into every conceivable "creative" investment possible. Now the workers who were forced to put their funds into the privatized system will pay for it.

On Jan. 23, Guillermo Arthur, president of the Association of Pension Fund Administrators, urged workers to remain calm, and not to worry that the five major AFP funds were showing negative profitability. After all, he said, these investments are made to finance a pension 30 or 40 years from now. People shouldn't get upset if there's an "abrupt fall in the market one day, or in a week, a month, or even a year." The key, he said, is to just wait until this bad period blows over, and the situation is "stabilized."

Western European News Digest

'Land-Bridge Express' Arrives in Record Time

Jan 25 (EIRNS)—The "Beijing-Hamburg-Container-Express" pilot train has arrived in Hamburg, Germany, in just 15 days, after an 9,780-km journey from Beijing, China. The train left Beijing Jan. 9, to test the feasibility of new agreements to ensure that the Eurasian Continental Bridge between China and Europe could function in a timely way—and this was proven when the train arrived yesterday, five days ahead of the expected 20-day schedule. This is less than half the time it would take to transport goods by sea, and within the time frame for transport that Deutsche Bahn officials considered would make the rail service "viable."

This record rate of transit was ensured by cooperation between Deutsche Bahn AG, and all the countries along the

route—Mongolia, Russia, Belarus, and Poland—to ensure that customs, gauge change, and other factors did not delay the container train. Deutsche Bahn chief executive officer Hartmut Mehdorn has said that regular European-Asian rail traffic could start by the end of the decade, although Chinese rail officials are much more optimistic, saying that, barring any complications, a scheduled container train should be shuttling between China and Germany "in a year's time."

The train was greeted in Hamburg by officials including Russian Railways CEO Vladimir Yakunin. Some matters such as allowed train length—much longer in China and Russia than in Germany—have to be resolved. Deutsche Bahn said goods produced in the Chinese interior could be transported more cheaply on the Beijing-Hamburg route than by way of China's east coast ports.

Deutsche Bahn logistics chief Norbert Bensele was quoted by AFP today saying that the "test train was a success. We have demonstrated that we can transport goods by rail between China and Germany safely, reliably and yet twice as fast as compared with ships. At the same time, we are considerably cheaper than air freight for many types of cargo."

Hungary To Receive 20,000 Chinese Containers a Year

Jan. 19 (EIRNS)—Hungary is preparing to become part of the new China-Europe land-bridge container train agreements, and is promoting the port of Zahony, on the border with Ukraine, as the gateway to western Europe for the trains now speeding Chinese goods to Germany by train in under two weeks.

Today, the Hungarian-Austrian owned GYSEV container company signed an agreement with China's Far East Land Bridge (FELB), GYSEV and the Hungarian Ministry of Economy and Transport announced. Hungary is building up Zahony's capacities very rapidly to make this possible.

It is not yet decided whether Hungary, or Poland or Slovakia will be the primary entrance port to western Europe.

European Leaders Desperately Cling to Their Delusions

Jan. 23 (EIRNS)—European political and financial leaders are still trying to pretend that the breakdown of the global financial system is an "American problem" which Europe may survive. We present some specimens of this deadly denial:

* French Economy Minister Christine Lagarde said that the global stock market swoon was just a "sudden correction," insisting that the European economy was still growing, according to Xinhua. A U.S. "recession," she claimed, would not be a tragedy for France.

* German Chancellor Angela Merkel went even further, asserting that "there is no sign of a recession in Germany.... Citizens should under no circumstances make hasty decisions" about abandoning the financial markets. "We are discussing whether any measures need to be taken," Merkel told the *Financial Times*, "but remember, financial markets are independent."

* Jean-Claude Juncker of Luxembourg, chairman of the European Union finance ministers group, said yesterday that "We have to be concerned, but a lot less than the Americans, on whom the deficiencies against which we have warned repeatedly are taking bitter revenge. We are much better placed in the eurozone and in Europe than our U.S. friends are."

* EU monetary affairs commissioner Joaquín Almunia insisted that the crisis "is not about global recession. It's about a recession in the U.S.," and cited the "solid, sound fundamentals" of the European economy. "We are well prepared to weather this situation," he asserted yesterday.

Bertelsmann Foundation Calls for EU To Turn Imperial

Jan. 22 (EIRNS)—Among recent think-tank proposals calling for upgraded European defense, "Beyond 2010 European Grand Strategy in a Global Age," published by the German Bertelsmann Foundation, deserves special attention, because Bertelsmann is the think tank with most influence on the German government. The paper was written by the Venusberg Group, an informal group of experts from several European countries, this being the third such paper prepared by them. The 72-page proposal urges the restructuring of defense in Europe, to cope with the new challenges allegedly posed now—climate change terrorism, failing states, etc.—by forming an EU-7, made up of those states with the biggest military budgets.

The paper ends each chapter with the warning "the clock is ticking," and portrays "acute threats" to the Europeans which they must "respond to, now or never." Caught between a "weakening" U.S.A. and a "rising" China, Europe must position itself globally, the Venusberg Group says.

U.K. Government Braces for Revolt vs. EU Lisbon Treaty

Jan. 21 (EIRNS)—British Prime Minister Gordon Brown is facing a revolt by Euro-skeptic Labour rebels who are considering joining forces with the Conservative Party to force a referendum on the European Union's Lisbon Treaty. While more than 60 Liberal Democrats plan to abstain from the vote, the government's majority appears safe, unless rebels can mobilize 100 backbenchers, whom they say would support a referendum.

Speaker of Parliament Michael Martin has to decide tonight whether to accept the referendum amendment from Labour's Ian Davidson and 18 colleagues—in the absence of one from the Tories.

The Rich Get Richer and the Poor—Well, Who Cares?

Jan. 21 (EIRNS)—"The rich are so very, very rich. The West End [of metropolitan London] can't get enough diamonds. But the poor are getting poorer," Marks & Spencer CEO Sir Stuart Rose said earlier this month. "I have never seen such a polarized U.K. economy."

A survey by the Institute for Fiscal Studies last week said the very rich have grown richer at twice the rate of the middle class over the last decade, the *Guardian* reported today. Those riches are so concentrated in the financial services sector that London is 41% richer than the U.K. average in 2006, despite the accelerating poverty of so many Londoners.

Russia and the CIS News Digest

LaRouche's Hyperinflation Warning Brought to Russia

Jan. 24 (EIRNS)—The Jan. 22 LaRouche Political Action Committee (LPAC) release, "LaRouche Warns: Hyperinflation Blow-Out Imminent," is circulating on the Internet in the Russian language. Its speedy dissemination brings a dose of reality into the current Russian discussion of the global financial crisis, which the deputy head of the Russian Central Bank this week called "systemic, but not for Russia." Finance Minister Alexei Kudrin yesterday pronounced Russia an "island of stability" in the crisis, while the speculators at Pyotr Aven's Alfa Bank put out a report on how Russia can offer investors a 30% annual return on funds put into the country, while the rest of the world sinks into chaos.

The Ukraine-based analytical site Strateger.net posted the LPAC release, with a link to LaRouche's April 20, 2006 warning, "Hyperinflation Like Weimar 1923: World System on Weimar Collapse Curve" (also in Russian). Anti-glob.ru, site of the Russian Anti-Globalist Resistance, advertises the new release, as well as the Jan. 17, 2008 LaRouche webcast archive, with a reference to the warnings LaRouche made in Moscow in May 2007, that the global systemic collapse was set to burst out full-force within months.

Russians Cling To 'Safe Haven' Illusions

Jan. 23 (EIRNS)—Senior Russian figures are clinging to their illusions that the international systemic crisis will only have a passing effect on Russia. Deputy chairman of the Russian Central Bank Gennadi Melikyan told reporters in the city of Tula on Jan. 22, that Russia can survive without great problems. The "current negative situation on world markets has affected the Russian Federation," said Melikyan, and "it is too early to relax. But there is certainty that we will be able to survive this quietly. There is no fatal danger of a crisis." Melikyan cited Russia's high level of foreign exchange reserves as an element of security.

Members of the Russian Duma also downplayed the scope of the crisis, including the potential for a collapse of the energy prices upon which Russia is so dependent.

Russian General: U.S. Plans Put Strategic Deterrent at Risk

Jan. 26 (EIRNS)—Gen. Vladimir Popovkin, commander of Russia's military Space Forces, yesterday became the latest Russian officer to warn that U.S. and NATO anti-missile system plans in Central Europe increase the threat of a strategic nuclear showdown. Speaking at a press conference in Moscow, Popovkin said, "The deployment of U.S. anti-ballistic missile (ABM) systems in Europe represents a real threat to the strategic nuclear forces of Russia, despite all the assurances of the U.S. Administration." Novosti quoted Popovkin's accusation that the United States was trying to drag Russia into an ABM arms race it cannot afford. "Therefore," he said, "Russia may respond with asymmetrical measures." One such measure that Popovkin mentioned was to upgrade the capability of Russian ICBMs to overcome ABM defenses.

For several months after President Putin's visit to the Bush family residence in Kennebunkport, Maine last Summer, Russia has held out hope for a positive U.S. response to Putin's offer of jointly developing ABM facilities with the United States in Azerbaijan and in southern Russia, instead of in NATO members Poland and the Czech Republic. "While there are no guarantees, the outcome of that [Kennebunkport] meeting could prove to be hopeful," Lyndon LaRouche commented in a July 4, 2007 statement, "if the right selection of both Democratic and Republican leading figures agree to view this opportunity in just the right way."

In year-end interviews, Russian Foreign Minister Sergei Lavrov called the Kennebunkport proposal "unprecedented," and one of the most important events of 2007. "The proposal was to unite capabilities that are defining for each side's security," said Lavrov. "That means 'to overcome vestiges of the past in oneself,' and embark on a level of partnership and cooperation that was absolutely inconceivable before. We have not lost hope, that this approach will be accepted, though the chances of that are declining."

With the recent remarks of Chief of Staff Gen. Yuri Baluyevsky (see InDepth, "Russians Reply to Provocations by Warning of Nuclear War"), and now Popovkin's warning, Moscow is signalling that the door for such strategic cooperation is just about closed.

Putin Sends Lavrov To Attend Saakashvili Inauguration

Jan. 20 (EIRNS)—Russia was represented by Foreign Minister Sergei Lavrov at the inauguration of Georgian President Michael Saakashvili. Saakashvili was reelected with a 53% majority, after a long period of turbulence touched off by his high-handed tactics. Such high-level representation from Russia, which has been in a running battle with the Georgian President, the darling of Wall Street, which wishes to bring Georgia into NATO, is not without significance, as Lavrov himself indicated. "I will have today a brief, but important meeting with Saakashvili," Lavrov told Interfax. "The Russian President has delegated me to represent Russia at the inauguration ceremony. That was not an easy decision," he said, but it "underscores the desire to be guided by fundamental things and by the two peoples' long-term interests in contacts with Georgian colleagues, not by momentary political motives." In his inaugural speech, Saakashvili also adopted a conciliatory tone, indicating that "we have a chance to begin new relations. The Georgian people have no other alternative."

Demonstrations have continued during January in the capital city of Tbilisi, as opposition parties demand an investigation into election fraud on Saakashvili's part.

Georgian Labor Party Says Natelashvili Was Targetted

Jan. 26 (EIRNS)—Yesterday, the Labor Party of Georgia released a statement that accuses Georgian President Michael Saakashvili's regime of undermining the health of Labor Party leader Shalva Natelashvili through a campaign of "physical, political, and information terror." Natelashvili was hospitalized in a "pre-heart attack condition," on the eve of the Jan. 5 election, in which Saakashvili claimed a first-round victory. Natelashvili had been one of the two top opposition candidates. According to the Labor Party statement, his symptoms of illness began after he was tear-gassed during anti-regime demonstrations on Nov. 7, 2007. Still in the hospital now, Natelashvili is reported by the Novy Region press service to be preparing to travel to Europe for treatment.

As head of the Labor Party for over a decade, Natelashvili is a long-time staunch opponent of Georgia's joining NATO, as Saakashvili wants the country to do. In his interview in *EIR* of Oct. 29, 1999, Natelashvili also voiced his passionate opposition to "handing Georgia's financial and economic sovereignty to the International Monetary Fund."

Southwest Asia News Digest

Barak: Syria Track 'Potentially Positive'

Jan. 26 (EIRNS)—Interviewed by the *Washington Post's* Lally Weymouth, Israeli Defense Minister and Labor Party chairman Ehud Barak was asked, "Do you think that the Syrian track should be pursued?" He responded, "I think that we have shown ... a respect for Syria, its interests and its leaders. We expect from them to do the same regarding Israel. If this basic kind of element will be there, I think a Syrian track is ... potentially positive." Weymouth continued: "I thought the U.S. has opposed Israel negotiating with Syria," to which Barak replied, "I think they realized in recent years that we understand the Syrian issue better."

Lyndon LaRouche has insisted since last Autumn, that a negotiated Israel-Syria peace is attainable in the near term, and is indispensable to unlock the potential for Israeli-Palestinian peace.

At the same time, Egyptian President Hosni Mubarak is trying to resolve the humanitarian crisis created by Israel's siege of Gaza, while inviting Hamas and Fatah Palestinian factions to reconciliation talks in Cairo. He called on Israel to lift the siege and manage the border crossing. "They should get things back to normal according to previous agreements and understandings," Mubarak is quoted as saying in the Israeli daily *Ha'aretz*. With respect to Palestinian reconciliation talks, Mubarak said, "I want this language of violence to stop. Peace could be achieved on the basis of international resolutions and agreements that demand the establishment of a Palestinian state."

In accepting the invitation, Hamas leader Khaled Meshal said, "I and all the brothers in the Hamas leadership welcome participating and will seek to make the dialogue a success."

Palestinian Authority President Mahmoud Abbas has yet to state whether, as head of Fatah, he would accept Mubarak's invitation. But Palestinian officials say that Abbas will be in Cairo on Jan. 30, to talk with Mubarak about Gaza, after he meets with Israeli Prime Minister Ehud Olmert.

On Jan. 25, rejectionist Palestinian groups in Damascus issued a statement at the end of a three-day National Palestinian Conference, in which they called on Hamas and Fatah to unite in the face of the worsening situation in Gaza, due to the Israeli siege.

Israel Threatens Total Cut-Off of Gaza, After Wall Is Breached

Jan. 24 (EIRNS)—After hundreds of thousands of Palestinians from besieged Gaza streamed across the Gaza-Egyptian border to obtain food and supplies, Israeli Deputy Defense Minister Matan Vilnai announced that Israel wants to sever all connection with the Gaza Strip, including cutting the supply of electricity and fuel and closing all border crossings, and demanding that Egypt take full responsibility for Gaza. This is impossible, because 75% of the electricity in Gaza comes from the Israeli grid. It is not known whether Egypt even has the power capacity to take on that responsibility.

A spokesman for Hamas rejected Vilnai's idea as an attempt to separate Gaza from the occupied West Bank. According to the Palestinian news agency WAFA, Palestinian Authority President Mahmoud Abbas also said that Israel might seize the chance to sever Gaza from the West Bank, and warned of "grave consequences" for the Annapolis peace effort.

Hossam Zaki, the official spokesman for Egypt's Foreign Ministry, said of Vilnai's plan, "This is a wrong assumption. The current situation is only an exception and for temporary reasons. The border will go back to normal."

Egyptian President Hosni Mubarak, while calling on Palestinian militants to put an end to their disagreements and work to improve the situation in the impoverished Gaza Strip, also slammed Israel for cutting off fuel supplies to Gaza, saying the peace process "could not afford another failure." He added that Egypt would not allow the residents of Gaza to starve or become victims of a humanitarian tragedy.

U.S. Undersecretary of State Nicholas Burns, who is now in Israel, said that while Hamas itself was to blame for the shortages of basic goods in Gaza, "obviously it is going to be up to the Egyptian government to bring under control the situation along the border."

Herzliya Conference in Israel Invites America's Wackos

Jan. 22 (EIRNS)—John Bolton, the neocon who was drummed out of the job as U.S. ambassador to the UN, spoke in Herzliya, Israel today, where he urged the Israelis to plan a strike against Iran's nuclear facilities along the model of what Israel did in Syria last September. Bolton said that there's a "close to zero percent chance" that Bush will attack Iran before he leaves office in Jan. 2009. And, the recent National Intelligence Estimate that said that Iran had ended a nuclear weapons program was (in the paraphrase by *Ha'aretz* of his remarks), "a politically-motivated report intended to restrict the Bush Administration's room to maneuver."

Israel could hit Iran, suggested Bolton, as the followup to its "stunningly successful military strike" against Syria last September. Bolton repeated his disinformation that the site that Israel hit was a joint North Korea-Syria nuclear weapons

project.

Bolton's speech is no doubt just the beginning of the warmongering that will come out of the annual Herzliya conference, which serves as a platform for war party scenarios—even though "all factions" participate in the conference. The other Americans include Judith Miller, formerly the *New York Times*' biggest liar on Iraqi WMD; Norman Podhoretz, author of "The Case for Bombing Iran"; and Steve Emerson, the Mossad-linked Islam-hater. Dick Cheney's favorite Israeli, Benjamin Netanyahu, will also be speaking.

LaRouche: Watch British Hand Behind Iran Factional Splits

Jan. 22 (EIRNS)—Lyndon LaRouche, responding to reports of intensified factional battles among the Iranian government leadership, warned that the British factor must not be overlooked. The British have a long history of running political destabilization operations inside Iran, long-predating the Mossadegh coup, which was run through British Petroleum in the mid-1950s, LaRouche elaborated. Now, London is pursuing a policy of "managed chaos" around the globe, provoking the break-up of nation-states, from Pakistan, to Kenya, to Palestine and Iraq. Former British Prime Minister Tony Blair has championed the idea that the 21st Century marks a "post-Westphalia" era, in which nation-states will cease to exist. All of these factors, LaRouche concluded, suggest that the British are doing everything in their power to provoke splits in Iran, in furtherance of their efforts to spread chaos, particularly in the Persian Gulf. London is driven to accelerate all of these "managed chaos" projects, due to the global financial crash, which affords a unique opportunity to take down the Westphalian system.

LaRouche's remarks came in the context of reports from Iran of a number of political and economic crises suddenly piling up. The first was picked up in the U.S. news media, including today's *New York Times*, which quoted from a letter to the Iranian parliament (Majlis) by Supreme Leader Ayatollah Ali Khamenei, in which he reversed an order by President Ahmadinejad, cutting off gas subsidies to remote villages, facing an unusually harsh Winter. The other reports, from sources inside Iran, indicated policy conflicts between the Foreign Ministry and the Supreme National Security Council, a pivotal policy-making body; and heated debate over Iran's nuclear energy program. Reportedly, the economic crisis is intensifying, with riots over gas rationing and other shortages.

It is precisely this kind of situation that the British have historically exploited. For generations, the British Foreign Office and British intelligence have maintained genealogical profiles of regional leaders, tribal hierarchies, and others, in every part of Iran.

Beirut Bombing Ignites Further Chaos

Jan. 26 (EIRNS)—On Jan. 25, Captain Wissam Eid, the top Lebanese police investigator responsible for investigating the long list of assassinations of prominent Lebanese leaders, was himself killed in a powerful car bombing. The rate of bombings has increased in the past month, as the government crisis has escalated.

The usual anti-Syrian outcry was raised in response to the murder. The *Wall Street Journal* blamed House Speaker Nancy Pelosi for meeting with Syrian President Bashar Assad in Damascus, Secretary of State Condoleezza Rice for bringing Syria into the Annapolis talks, and Sen. Hillary Clinton for saying that she would encourage contact with Syria if she became President.

A Lebanese source told *EIR*, "Whoever actually is planting the bombs, it is to the benefit of the British and their messenger Cheney."

Asia News Digest

Cardinal Sin Defies Vatican Order in Philippines Coup

Jan. 21 (EIRNS)—Cardinal Sin, the recently deceased Archbishop of Manila, may finally be called to task for his criminal role in the destruction of the Philippines.

Sin, an asset of George Shultz and Paul Wolfowitz, and the Synarchy within the Roman Catholic Church, called the "masses" out to the streets to overthrow not one, but two Philippine Presidents—Ferdinand Marcos in 1986 and Joseph Estrada in 2001—on behalf of the international financial institutions. It has now been revealed that Sin had been ordered by the Vatican to cease and desist, in the days leading up to coup #2, in January 2001. A "highly placed source" has reported to the *Inquirer*, the leading establishment newspaper of the Philippines, that a letter from the Vatican was delivered to Sin two days before the Estrada government was overthrown, to "withdraw the Catholic Church's participation" in the ongoing coup. In fact, it was Sin, working with the military faction aligned with Shultz's puppet Fidel Ramos, who had called those under his direction out onto the streets, to "stay here until evil is conquered by good." In fact, the vast majority of the population still supported Estrada.

The unnamed source told the *Inquirer* that the Vatican "was worried about its apostolic mission in Russia, China and Vietnam," concerned that Sin's political intrigue "might create apprehensions that it's risky to let the Catholic Church come in, because it might meddle."

Sin, the source added, responded that he would resign rather than follow the directive from the Vatican. Sin proceeded with the coup, returning the country to obedience to IMF dictates, where it remains today.

Lyndon LaRouche and *EIR*, long before the 1986 coup, and again before the 2001 coup, had revealed the role of Shultz and related networks in London who played Ramos and Sin, to give the appearance of "people's power" to the U.S.-run military coups. Over the last few years, a growing number of Filipinos, including many who had been pulled into the "people's power" ploy, have come to recognize the truth about the coups, and the destruction of the nation which has been the result.

EIR was recently informed by sources who were in government at the time of the more disastrous 1986 coup against President Marcos, that a similar effort had been launched by forces within the Vatican to stop Sin's crucial role in that Shultz-run "regime change"—a story which may soon come to light as well.

Korea-Russian Cooperation in Siberian Development

Jan. 25 (EIRNS)—South Korea is calling on Russia and North Korea to join in the development of eastern Siberia. President-elect Lee Myung-bak, who will be inaugurated on Feb. 25, sees the future of his country as being closely connected with Russia and trilateral cooperation with North Korea, Yonhap press reported. Lee Jae-oh, the President's special envoy to Russia, was in Moscow and Vladivostok this past week to promote the policy. In Moscow he delivered a letter to Russian President Vladimir Putin, and met 13 ministerial-level officials. On Jan. 21, he told Russia's Novosti press service: "If we unite North Korea's workforce, Russia's resources and capital and [South] Korean technology, then we can achieve tremendous and long-lasting results in the development of east Siberia." He emphasized South Korea's capabilities in oil refining and transport. "If we join the plentiful oil and natural gas resources of east Siberia together with the industrial and technological powers of Korea, then both countries could become mutually beneficial partners."

Lee Jae-oh went to Vladivostok Jan. 23-24, to discuss joint development of the Trans-Korean Railway and the Trans-

Siberian Railroad, and of Siberian oil fields. He told the Vladivostok press that "Russian officials expressed support for the [Lee Myung-bak's] plan to forge a prosperous northeast Asian economic community, especially as it will help in persuading North Korea to give up its nuclear weapons. Russia's Deputy Prime Minister Alexander Zhukov also suggested forming a committee as a communication channel between Seoul and Moscow to closely cooperate on the development of the Far East region."

The two Koreas will hold their first railway cooperation talks of 2008 on Jan. 29-30, South Korea's Unification Ministry announced today. In December, North Korea had agreed to trilateral talks with Russia and South Korea on linking the Trans-Korean Railway with the Trans-Siberian. In the future, this rail link could deliver up to 200,000 containers per year.

Karzai Rejects British Lord Ashdown as Viceroy

Jan. 26 (EIRNS)—Afghanistan President Hamid Karzai has taken another step against the British colonization of his country, by rejecting British Lord Paddy Ashdown as the UN "super-envoy" to Afghanistan, pointing to Ashdown's demand for imperial power over his nation. Attending the economic summit in Davos, Switzerland, Karzai met U.S. Secretary of State Condoleezza Rice, Conservative Party leader David Cameron, British Prime Minister Gordon Brown, and UN Secretary General Ban Ki-Moon, telling them all that he would not accept Ashdown.

This follows two other recent actions against the Brits: Karzai yesterday blamed the British Army for the virtual takeover of Helmand Province by the Taliban. He particularly denounced the British replacement of the governor of the province, accused by the British of being a warlord, but who had kept the Taliban in check, according to President Karzai. This follows his expulsion of two MI6 intelligence agents in December, who were negotiating collaboration with the elements of the Taliban behind Karzai's back.

Ashdown, who headed the Liberal Democratic Party in England in the 1990s, also served as UN High Representative for Bosnia and Herzegovina from 2002-06, where he prevented reconstruction in the devastated region, by allocating credit preferentially to free-market, private sector interests, earning the popular title "Viceroy of Bosnia." When it was reported on Jan. 17 that he would be appointed UN Special Envoy to Afghanistan, to coordinate Western reconstruction and aid, the official announcement was delayed while he demanded more power.

Sichuan Province To Become Rail Hub

Jan. 22 (EIRNS)—China's central Sichuan province plans to become the central rail transport hub for all of western China, with links to all Eurasia, provincial governor Jiang Jufeng announced at the opening of the provincial people's congress on Jan. 22. Railways will connect Sichuan with Europe and Southeast Asia.

Africa News Digest

South Africa's Zuma Opposes British Onslaught vs. Zimbabwe

Jan. 27 (EIRNS)—Speaking at the World Economic Forum in Davos, Switzerland, yesterday, South Africa's new African National Congress (ANC) president, Jacob Zuma, said that U.S. and European interference was hindering efforts to reconcile Zimbabwe's opposition with President Robert Mugabe's government. "The U.S. and Europeans tell us what we need to do and tell Mugabe," Zuma told reporters, according to South Africa's *Mail and Guardian* today.

This is a change in Zuma's view on Zimbabwe. During the run-up to the ANC presidential elections at the end of last year,

he had been critical of the Zimbabwe government and the mediation policy between the government and the opposition, which South African President Thabo Mbeki had been carrying out.

Mbeki was in Zimbabwe Jan. 18, for further talks with the government and with opposition leader Morgan Tsvangirai. Encouraged by Mbeki's ouster as president of the ANC, by Zuma, in late December, Tsvangirai has given indications that he may not stick with the agreement on holding elections that he made with the government, an agreement that was mediated by Mbeki last year. Tsvangirai is now threatening to boycott the March 29 elections if the constitution is not changed and a new electoral list is not drafted, in addition to more time being given before the election is held.

The ANC presidency has always been a stepping stone to the Presidency of South Africa, since the end of Apartheid in 1994, and Zuma was expressing moderate views on several issues while he was in Davos, as if to demonstrate to the world that he could be Presidential. This was a sharp distinction from the way the bitter fight with Mbeki for the presidency of the ANC was carried out.

Violence Escalates in Kenya

Jan. 28 (EIRNS)—The head of the Catholic Church in Kenya, John Cardinal Njue, and religious leaders in Nairobi, said that the violence in Kenya is ongoing violence is not spontaneous, but well planned and executed by organized gangs, according to the *East African Standard* Jan. 27.

The destabilization is reported as originating in ethnic conflicts. The death rate is soaring, and cities and towns in the Rift Valley province of Kenya are burning again today, as the violence has escalated since Jan. 25, in the wake of a Jan. 24 meeting between President Mwai Kibaki and opposition leader Raila Odinga, organized by former UN Secretary General Kofi Annan.

On Jan. 24, Human Rights Watch accused Odinga-allied opposition leaders of organizing attacks on Kibaki supporters, many of whom are from the Kikuyu ethnic group—as is Kibaki—after the contested elections on Dec. 27. After the talks mediated by Annan, Odinga's Orange Democratic Movement (ODM) agreed to call off protest actions.

ODM leaders on Jan. 26 accused the government of using the outlawed Mungiki sect to escalate the crisis, and charged that they were being protected by the police.

Odinga described those behind the killings as marauding gangs who were targeting members of the Luo community and killing them. However, the ODM wants the government to stop using the army to contain the new clashes rocking parts of the country, according to *The Nation* Jan. 27.

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