

[return to home page](#)

LaRouche on Hyperinflationary Crisis:
We Have the Potential To Defeat the Threat of Fascism Today

Lyndon LaRouche addressed a private luncheon on Jan. 30.

...We are now in a world situation, which is comparable to what happened to Germany, in the period 1919-1921-1923. And most recently, the absolutely stupid mistake, by the U.S. Federal Reserve System, and government, including members of the Congress, led by Congresswoman Nancy Pelosi--that this has triggered the beginning of a steep hyperinflationary situation, not only in the dollar, but in the international financial system. If this were to continue, without change, as a policy trend over the coming months, we would have a {global} situation, a chain-reaction process, which would end up much like the 1923 crisis in Germany....

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Feature

LaRouche on Hyperinflationary Crisis:
We Have the Potential To Defeat the Threat of Fascism Today

Lyndon H. LaRouche, Jr. addressed a private luncheon on Jan. 30. He began by showing a video that dramatized how hyperinflation, like that in Weimar Germany in 1922-23, is beginning to take off now, internationally. If this were to continue without change, he said, we would have a global chain-reaction process, which would end up much like the crisis in Germany that led to Hitler. LaRouche vowed, 'Hitler shall not come again!' The only way to avoid a precipitous collapse, which would open the way for fascism, is for the United States, Russia, China, and India to be brought together as national forces, and agree to reorganize the bankrupt financial system.

Strategy

A World System in Collapse!

In response to an article by Russia's General-Colonel **Leonid Ivashov**, Lyndon LaRouche writes that the entire planet is in the grip of a general breakdown-crisis, from which no nation can escape. LaRouche describes the origins of the oligarchic forces which got the world into the present untenable situation, and explains how the crisis can be solved, with a new international fixed-exchange-rate monetary system and the creation of credit for specific major, long-term development projects, within and among nations, in a nested set of agreements labelled 'the common aims of mankind.'

Hooray for the Global Crisis!

General-Colonel Leonid Ivashov, in this article published in Russia, refers to Lyndon LaRouche's warning of the ongoing financial collapse, and LaRouche's call for the U.S. government to put its own financial system through bankruptcy.

Economics

Foolish Fed's Rate Cut Pumps Hyperinflation

The panicked reaction of the Federal Reserve to cut interest rates twice was the wrong thing to do. It is trying to save a system that cannot be saved. Such actions will lead the nation and the world into a Weimar Germany-style hyperinflationary blowout.

The Dam Has Broken!

Only LaRouche's Measures Can Avert Catastrophe

Helga Zepp-LaRouche, reporting from Germany, says that the international financial system is hopelessly bankrupt. Despite the clinical denial of reality by the Berlin government, the dam has broken.

U.S. and China Must Work Together, Chinese Official Tells Washington

Chinese **Vice Minister Li Zhongjie**, deputy director of the Chinese Communist Party History Research Office, addressed a Washington audience.

Fake Chinese Records Used To Back Warming

If We Change the System Now, We Can Save Civilization

Lyndon LaRouche was interviewed on Quito, Ecuador radio, along with Pedro Páez, Ecuador's Minister for Economic Policy Coordination.

Business Briefs

International

A New Sykes-Picot Tragedy or Mideast Peace?

Lyndon LaRouche insists that a negotiated Israeli-Syrian peace is attainable in the near term, and is indispensable to unlock the potential for Israeli-Palestinian peace. But Tony Blair and company are playing the usual British games of fomenting chaos and permanent war in the region.

Karzai's Actions Anger Britain

Guest Commentary From Russia:

Molchalin for President?

Stanislav M. Menshikov seeks to find out more about Dmitri Medvedev, the chief candidate for President of Russia in the March elections, and his economic, social, political, and other programs.

Hesse Elections in Germany:

LaRouche Youth Put Economics Up Front

International Intelligence

National

Rohatyn and Shultz Drive Bloomberg 'Beer Hall Putsch'

A hard core of London-linked fascists are intent on imposing a Schachtian dictator in the White House in January 2009. At the moment, the leading ShultzRohatyn candidate to fill that spot is New York City's billionaire Mayor Michael Bloomberg.

More Than 60 Cities Have Endorsed HBPA

Lyndon LaRouche's proposed Homeowners and Bank Protection Act (HBPA) is gathering support around the country.

Democrats Defeat Arnie's Health Scam

Books

History as Prologue

Partners in Command—George Marshall and Dwight Eisenhower in War and Peace
by Mark Perry.

- **American Patriots Against the British Imperialists**

This 'addendum' to Perry's book, by **Dean Andromidas**, provides historical detail that deepens the picture that Perry presents, particularly by stressing the difference in fundamental principles between the American and British way of thinking.

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Editorial

Three Steps To Save the Nation

U.S. Economic/Financial News

Housing Collapse Figures Now Recall Great Depression

Jan. 29 (EIRNS)—New figures have come out on the depth and severity of the collapse of the nation's housing industry. Until now, all figures of this type had been referenced to 1991, the most recent slump in the housing market. Although that is significant, what is most notable about today's figures, is that they now eclipse those of 1991, and are being compared directly to those of the Great Depression.

* Last week, the National Association of Realtors reported that sales of previously owned homes posted the biggest drop in 25 years, with the median price of those homes falling for the first time "in at least four decades, and possibly since the Great Depression."

* Census Bureau figures show that overall national home ownership is now 67.8%, down 1.1% from 4thQ '06, and 0.4% from 3rdQ '07. This is the biggest one-year drop "since record keeping began in 1965," again leaving only the Great Depression for comparison. Home ownership has been falling for three years, when it was at an all-time high of 69.2% in October of 2004.

* Combined home foreclosures grew 75% last year (the December rate almost double from a year before), according to RealtyTrak, with 405,000 homes being repossessed.

* The price of homes also continues to fall, according to the S&P/Case-Shiller home-price index. Prices in November 2007 had dropped 7.7% from a year earlier (also the biggest drop on record), and, after dropping 6.1% in October, were down for 11 months in a row.

* Lennar Homes posted a record \$1.2 billion loss in the fourth quarter of 2007. Others are due to announce soon.

Missouri Bank Is Third Failure Since September 2007

Jan. 30 (EIRNS)—The Office of the Comptroller of the Currency on Jan. 25 closed Douglass National Bank of Kansas City, Mo., and named the Federal Deposit Insurance Corporation (FDIC) as receiver. In December, Missouri legislators reported, a state banking official told a legislative hearing that 22 Missouri banks were "in trouble." Douglass National is the first FDIC-insured bank to fail this year, and the third failure since Sept. 28, 2007. As noted by the FDIC, no advance notice is given to the public.

The deposits of Douglass National, valued at \$53.8 million, were assumed by Liberty Bank and Trust Company, of New Orleans, La.

Wrench Thrown in Stimulus Steamroller: OFHEO Head Objects

Jan. 29 (EIRNS)—James Lockhart, head of the Office of Federal Housing Enterprise Oversight (OFHEO), which oversees mortgage giants Freddie Mac and Fannie Mae, expressed opposition Jan. 24 to the Bush-Pelosi "stimulus package." Lockhart objected to the proposed change in OFHEO rules, which would allow the mortgage companies (also known as Government Sponsored Enterprises, or GSE) to invest in (buy up) "jumbo" loans, up to \$729,000. Currently the limit is set at \$417,000.

Lockhart stated that the raising of the limit, although temporary, "is a mistake ... in the absence of comprehensive GSE regulatory reform." He said that, to "restore confidence in the markets," he needs more, not less authority to regulate the purchase of loans. GSE review legislation has been languishing in the Senate Banking Committee, headed by financier Felix Rohatyn's lapdog Sen. Chris Dodd (D-Conn.) for an entire year.

So "stimulated," Dodd has pledged to "move" the legislation along "early" this year.

U.S. Wheat Stocks Sink to Lowest Level Since 1948

Jan. 30 (EIRNS)—U.S. wheat stocks have now fallen to their lowest level in 60 years, in absolute tonnage, according to the U.S. Department of Agriculture ("World Agriculture Supply and Demand Estimate," Jan. 11). This reflects the massive dislocation imposed on U.S. agriculture by the biofuels bubble, under which former wheat acreage has been planted to corn for ethanol. U.S. wheat stocks, end of year carry-over, are estimated at 7.94 million metric tons, about half the 15.55 mmt in 2005, when the biofuels craze took off. Even less area has been seeded to Winter wheat (planted in the Fall, harvested in June) than the year before. Given the lingering impact of drought, future wheat supplies are jeopardized.

Add to the low stocks, the frenzy of commodities speculation on the Chicago Board of Trade, and the other markets in Kansas and Minnesota, and wheat prices are setting records almost daily. Yesterday, the price for hard red Spring wheat rose 30 cents in one session, hitting its trading limit cap, to reach a price of \$13.27 a bushel, double that of a year ago. In

Kansas City, the price rose yesterday by 10 cents, hitting \$10.10 a bushel (hard red Winter wheat, March delivery). Overall, in the past two months, U.S. wheat prices rose 40%.

Bad Car Loans Increased 30% in 2007

Jan. 31 (EIRNS)—At a national level, every year, U.S. consumers borrow \$575 billion to buy automobiles. In 2007, the number of bankrupt borrowers increased by 30%. This aspect of the crashing economy was covered today by France's *Le Figaro*, under the headline, "After the home foreclosures, foreclosures on automobiles."

In order to make up for losses, automobile companies are now going with seven-year loans, covering up to 125% of the car prices. Right now, says *Le Figaro*, the average debt of U.S. car owners is \$4,221 above the value of their cars.

Global Economic News

British Royals and the Spanish Mortgage Bubble

Jan. 29 (EIRNS)—"Spanish banks are issuing mortgage securities and asset-backed bonds on a massive scale to park at the European Central Bank, using them as collateral to raise money at favourable rates from the official credit window in Frankfurt," Ambrose Evans Pritchard wrote in today's London *Daily Telegraph*. Pritchard says that data put out by Moody's rating agency appears "to confirm suspicion that the EU [European Union] authorities have carried out a covert rescue of the Spanish mortgage banking system." This amounts to a "de facto closure of the capital markets ... to avoid the sort of mishap suffered by Northern Rock in Britain and Countrywide in the U.S."

What's really afoot? "They're bailing out the British royal family," said Lyndon LaRouche. He pointed to Banco Santander Central Hispano—the largest bank in Spain—and the Royal Bank of Scotland (RBS), which essentially owns Santander, as the forces behind the Spanish mortgage bubble. But British agent Pritchard would never say that—that would be encroaching on the royal family. "That is not something he would do," said LaRouche, "but, all the banks affected by this are connected, either directly, or indirectly, to the Santander operation." The important fact is that the financial system is gone, collapsed, finished, said LaRouche, and it is impossible at this point to tell who owns anything, since all securities are being hedged and leveraged many times over.

German Machine-Builders Oppose ECB's Weak Dollar Policy

Jan. 30 (EIRNS)—While there is a propaganda campaign in the German media alleging that a weak dollar benefits the German economy, because it makes imports cheaper, *EIR* has learned from sources in the machine-building sector that the industry does not see any benefit at all, rather the contrary.

For example the argument about imports becoming cheaper, is refuted: One or the other components coming from the dollar zone for German machines may become cheaper, but that is a negligible effect for German industry. Most of the end price of the machine is determined by the value added factor, which comes into play inside Germany, and that does have its high price.

The high quality and precision of German machines compensates for the high price in the long run, because of reliability. At the moment, the order books are filled for machine-builders, therefore they do not have to run around looking for clients and offer lower prices. But a weak dollar makes the euro more expensive. And there is another factor, namely that most of the world is dependent on the dollar, so that any U.S. crisis instantly infects the globe, and that hits exporting nations like Germany, because export markets are undermined by shocks that importing countries undergo.

Briefed on Lyndon LaRouche's two-tier interest rates proposal, a senior source at the VDMA, the German machine-builders' association, said that the idea of building a defense of the dollar deserves careful and unbiased attention, also outside the U.S.A., but that it might turn out to be rather complicated to handle two different rates.

Italian Banker on LaRouche Proposal For Two-Tiered Credit

Feb. 1 (EIRNS)—An Italian banking source commented to *EIR* on Lyndon LaRouche's proposal for a two-tiered credit system, by bringing up the example of China. A two-tiered system is what China has had all along, the source said. China has based its development on what he called "double circulation." It even has a two-tiered currency system. The source also stated that the City of London is profiting from the collapse of the dollar, but the Eurozone is not. The British are welcoming capital flows from Arab and Asian sovereign wealth funds, but France and Germany have blocked them.

How the ECB Became a Neapolitan Garbage Dump

Jan. 31 (EIRNS)—A report out Jan. 31 states that Eu30 billion of securitized junk has been packaged by Rabobank, the Anglo-Dutch megabank, for the contingency of using it as collateral for borrowing from the European Central Bank (ECB) through its repo (lend and repurchase) operations. "The ECB has become a Neapolitan garbage dump," commented a banking source to *EIR News Service* today, referring to the trash pick-up crisis in Naples.

According to today's *Financial Times*, Rabobank, the only bank still holding a AAA rating from Standard & Poor's, has packaged mortgage loans in order to keep them on its balance sheet as bonds, ready to have as collateral to offer the ECB, in case of a liquidity crisis.

This is similar to what Spanish banks in particular have done since last December: issuing securities for which there is no market, except at the ECB repo facility. It has been reported that in December alone, Spanish banks borrowed Eu63 billion through this facility.

In doing this, the ECB is de facto bending its statute, which allows it to lend money directly to banks only in extraordinary cases, and only against prime collateral. Acting in this way, the ECB has bailed out major sections of the European banking system since December, offering temporary cash life-support to a corpse.

Japanese Banks Pop with Dollar Bubble

Feb. 1 (EIRNS)—Japan's six largest banking groups reported quarterly losses, attributed to the U.S. hyperinflationary mortgage bubble, of 529 billion yen at the end of the December, a 4.6-fold jump from 115 billion yen at the end of September. Other mid-sized banks also reported losses, along with manufacturer Canon, in all products. December is the end of the third quarter in Japan; the investment year ends in April.

United States News Digest

Campus Gestapo Bid Nixed by Virginia Legislature

Feb. 1 (EIRNS)—A Virginia House of Delegates education subcommittee voted 5-3 on Jan. 29, to table HB 1643, which would have required public colleges to file reports on how their policies worked to "ensure academic freedom in support of academic diversity"—code-speak for campus witchhunts against teachers who fail to toe the line of Lynne Cheney's

campus gestapo. The tabling of the bill "all but kills" the measure, according to the *Roanoke Times*.

The bill is reportedly based on model legislation furnished by the American Council of Trustees and Alumni (ACTA), founded by Lynne Cheney and Sen. Joe Lieberman (I-Conn.). ACTA president Anne Neal, Mrs. Cheney's longtime gofer, testified on the bill before the legislature.

Promoting legislative attacks on academic freedom, in the name of academic freedom, is the now widely discredited tactic of the political apparatus of ACTA, in conjunction with debased Hollywood right-winger David Horowitz, an apparatus exposed by the LaRouche Political Action Committee's mass-circulation 2006 pamphlet, "Is Joseph Goebbels On Your Campus?"

HB 1643 was introduced by Del. Steve Landes (R-Augusta County). According to the *Roanoke Times*, Landers claimed he had not read Horowitz's writings, but that Horowitz and he had the same intent.

What's Behind the Demand for Wiretapping Immunity?

Feb. 1 (EIRNS)—In the current Congressional battle over new amendments to the Foreign Intelligence Surveillance Act (FISA), the Bush Administration has demanded that the new bill be passed or else Americans will be endangered; but the President has threatened to veto the bill if it is passed without a provision retroactively immunizing telecommunications companies. That provision would immunize those companies from Federal prosecution, for having cooperated with the Administration's massive, secret surveillance program in the wake of the 9/11 attacks.

Why is the Administration threatening to veto this bill?

An interesting insight was provided on MSNBC's Countdown on the evening of Jan. 24. Host Keith Olberman, discussing the matter with *Newsweek's* Howard Fineman, noted a remark by Sen. Chris Dodd (D-Conn.) the previous month. Dodd said, "When one company gave the NSA a secret eavesdropping room at its own corporate headquarters, it was simply doing its patriotic duty. The President asked, the telecoms answered. Shouldn't that be an easy case to prove, Mr. President? The corporations only need to show a judge the authority and the assurances they were given and they will be in and out of court in five minutes. If the telecoms are as defensible as the President says, why doesn't the President let them defend themselves? If the case is so easy to make, why doesn't he let them make it? Why is he standing in the way?"

Fineman's response to Dodd's question: "There are things that the White House and the Administration is doing that will probably raise the hair of any judge in America if he sees them. And you can't necessarily do all of that *in camera*, meaning in private. And the Administration doesn't want that laid out on the record. Chris Dodd is absolutely right on the law, but this Administration is not going to allow them to do it if they can possibly get away with it and intimidate the Senate on that point."

U.S. Army Suicide Rate Continues To Rise

Jan. 31 (EIRNS)—Despite all of the attention that has been focussed on suicides and mental-health problems in the U.S. military, the suicide rate among Iraq and Afghanistan veterans continues to climb. The Army reported today that 121 soldiers committed suicide in 2007, a 20% increase over 2006. Of these, 89 are confirmed suicides, and 32 more are suspected, and still under investigation. Suicide attempts numbered 2,100 in 2007, compared to about 1,500 in 2006.

The Army report came on the heels of a front-page story in today's *Washington Post* reporting on the attempted suicide, on Jan. 28, of Lt. Elizabeth Whiteside, a psychiatric outpatient at Walter Reed Army Medical Center, who was facing a

possible court martial for attempted suicide, and endangering another soldier while on duty in Iraq in 2007. According to Army investigations, Whiteside had a mental breakdown after helping to quell riots in the aftermath of the execution of Saddam Hussein; pointed a gun at a superior officer; fired two shots into the ceiling, and then shot herself, piercing several organs. Her commanding officer filed charges against her, but the Army had yet to decide whether to court martial her. The Army finally dropped the charges after her suicide attempt Jan. 28, but a source familiar with her case told *EIR* that that happened only after Sen. Kit Bond (R-Mo.) intervened directly with the Secretary of the Army.

While the Army has the highest rate of suicide among all the services, the problem isn't confined to the Army. A veterans' advocate in San Diego told *EIR* yesterday that two Marines—one at Camp Pendleton, and the other at the Twentynine Palms Marine Corps base—have committed suicide in the last two weeks. In the Pendleton case, the Marines tried to explain it away as an accidental weapons discharge, but, as the source explained, the Marine involved was combat trained, had served a tour in Iraq, and knew how to handle guns.

Why Mukasey Won't Admit that Waterboarding Is Torture

WASHINGTON, Jan. 31 (EIRNS)—At yesterday's hearing of the Senate Judiciary Committee, many Senators and observers found it astonishing that Attorney General Michael Mukasey refused to acknowledge what everyone knows, including all military lawyers: that not only is waterboarding torture, and a crime under current U.S. law, but that waterboarding has been prosecuted as a war crime by the United States government for over 100 years.

Mukasey instead told the committee repeatedly, that whether or not waterboarding is lawful, depends on the "facts and circumstances," such as how it is being used, what information is being sought, how was it authorized, etc. Since it is not now being used, Mukasey contended, there is no reason for him to pass judgment on its legality.

Reminding Mukasey that he is the nation's top law enforcement officer, and not just an advisor to the Executive Branch, Sen. Sheldon Whitehouse (D)—a freshman from Rhode Island and a former Federal prosecutor—pressed Mukasey as to whether the Justice Department has conducted any inquiry as to violations of the Federal anti-torture statute, which carries a 20-year prison sentence, and the death penalty if the victim has died.

Mukasay said he had not, but he said that such an inquiry would depend upon what sort of prior authorization to use such techniques existed. Whitehouse angrily told Mukasay: "There is no exemption under [the anti-torture statute] depending on whether the conduct was authorized by a supervisory official or not. There is no Nuremberg defense ["I was only following orders"] built into this criminal statute."

Whitehouse also told Mukasey "the facts and circumstances justification evaporates" under the anti-torture law—i.e., there is *no* circumstance under U.S. law which permits torture because of some alleged necessity.

Whitehouse's questioning of Mukasey illuminates the real reason why Mukasey won't admit that waterboarding is torture: because the minute he does, he is obligated to open a criminal investigation into violations of the anti-torture law. This would not only have to cover those who conducted torture, but also those who made the policy and issued authorizations and orders to carry out such heinous acts. That would lead very directly to Vice President Dick Cheney, the author and chief promoter of the torture policy within the Bush Administration, and it would necessarily result in the prosecution of Cheney for war crimes.

Ibero-American News Digest

Cuba, Venezuela Champion British Anti-Dollar Campaign

Jan. 28 (EIRNS)—The Sixth Summit of the Bolivarian Alternative for the Americas (ALBA), a rump caucus formed by Venezuela, Cuba, Nicaragua, Bolivia, and the Dominican Republic, was held in Caracas, Venezuela this weekend, and celebrated the accelerating demise of the dollar, sounding Bush-like cries of "bring it on!"

Ibero-American peoples should help bring about a "post-dollar era," the vice president of Cuba's Council of State, Carlos Lage, proclaimed. Venezuelan President Hugo Chávez echoed him, as he and others revelled in what they called "the collapse of capitalism" and the "U.S. empire," from which they delude themselves they can isolate their countries, by pulling their reserves out of U.S. and European banks, and trading with other countries—countries whose economies will collapse along with the collapse of the dollar. The formation of "an ALBA bank" was also announced at the summit, with a \$1 billion capital base, as were plans for an ALBA defense pact.

Chávez is showing signs of having regressed to the mental level of a '68er pothead, under the influence of his self-professed daily chewing of coca leaves. Turning, in front of the cameras, to Bolivian President Evo Morales during the summit, Chávez complained that he was running out of coca leaves, and needed to replenish his supply—with "the good stuff" that Evo personally sends him, not some "industrial" coca leaves. Upon receiving a bag on the spot from Morales, he started chewing immediately.

Scientific studies carried out by Peruvian medical doctors in the 1930s and '40s, demonstrated that the difference between coca chewing and cocaine ingestion is only a matter of the dose delivered. While not all coca-chewers are addicted, coca-chewing affects mental activity (producing excitation, modification of perceptions, thought, and emotionality), as well as metabolism, due to the effects of the small amounts of the alkaloid, cocaine, from the leaves.

Ad Demands Calderón Back Public Works, Infrastructure

Feb. 1 (EIRNS)—The Pro-21st Century PLHINO Committee of Sonora, Mexico today published half-page ads in two of Mexico's largest-circulation national dailies, *Reforma* and *Universal*, and three statewide Sonoran newspapers (*Imparcial*, *Tribuna del Yaqui*, and *Expreso*), demanding that President Felipe Calderón meet to discuss the urgency of adopting a vigorous policy of public works investment in infrastructure, to ensure an adequate supply of water, power, and food for the country, under crisis conditions.

The advertisement was signed by the 26 farmer, labor, and business associations of Sonora, and by the LaRouche Youth Movement, which make up the Pro-PLHINO Committee, which was founded by LaRouche's associates.

The international financial crisis is not a "cyclic episode" (as Calderón hysterically insists), "but a systemic phenomenon, whose gravest manifestation is the hyperinflationary process which is hitting the price of food, especially," the open letter to Calderón declares. This adversity, combined with the return of Mexicans expelled from the U.S. because of its economic crisis, creates a reality which must be addressed, if shortages and social instability are to be avoided, they warn.

Investment in proposed projects such as the tri-state Northwest Hydraulic Plan (PLHINO) are required to increase the productive powers of the national economy and strengthen the domestic market, so Mexico can face the extreme conditions which are coming, the ad states.

The committee's mobilization was designed also to raise the level of discussion among the agricultural producers who are filling the streets of Mexico City with their tractors, but remain caught up in discussing how to reform globalization's dead baby, the North American Free Trade Accord, without an adequate idea of what needs to be done.

Rural Producers Stage Mass Anti-NAFTA Protests in Mexico

Jan. 31 (EIR)—Up to 100,000 peasants and farmers from throughout the country demonstrated in Mexico City today, against the North American Free Trade Agreement (NAFTA), which as of Jan. 1 lifted all protection for local production of corn, beans, milk, and other staples. Organizations from every political party, as well as new organizations created specifically to fight NAFTA, gathered in Mexico's capital with tractors, trucks, horses, cows, and mules, to force the government and the Congress to renegotiate NAFTA, or, as some of them demand, to dump it all into the trash can.

The LaRouche Youth Movement in Mexico distributed leaflets on the hyperinflation threat, illustrated with cartoons of the horror of Weimar Germany. They carried a giant banner reading: "You *Still* Don't Understand?! The Real Problem Is the World Financial Collapse," with a drawing of a little President Calderón trying to climb up a mountain, not noticing that the safety line around his waist is tied to an enormous fat man plummeting head-first down behind him, who looks like Mexico's two-ton Treasury Secretary Augustín Carstens. The man is labeled "World Financial System."

The rural producers were joined by the Electrical Workers Union and its Nuclear Energy Workers affiliate, protesting against the reform of the energy laws that the Calderón government is trying to ram through, to privatize electricity generation and distribution, and the state oil company as well. Many other trade unions joined the demonstration. Simultaneously, there were demonstrations in the capital cities of most Mexican states, in front of the offices of the Agriculture Department.

Although this was a non-partisan mobilization, one of the principal speakers at the meeting at the huge Zocalo plaza in downtown Mexico City, where the demonstrations converged, was opposition leader Manuel López Obrador.

NAFTA's Harvest: 40% of Mexicans Suffer from Malnutrition

Jan. 30 (EIRNS)—A report just issued by the Economic Research Institute of Mexico's National Autonomous University (UNAM) indicates that approximately 40 million people suffer from some form of malnutrition. According to specialist Felipe Torres, 25 million of that total, living largely in rural areas, are severely malnourished.

Torres used the phrase "nutritional risk" to describe the condition of those 40 million, which he attributed to an income too small to purchase nutritious food. At the same time, he warned, the decline in educational levels severely limits the opportunities available to people, such that Mexico is rapidly reaching the breaking point. Nor does malnutrition only affect rural populations, he said. At least 40% of Mexico's urban population is in a similar situation.

This stark reality is fueling the demonstrations against the implementation of the final chapter of NAFTA, which is flooding Mexico with cheap food imports and delivering a death blow to domestic agriculture.

Western European News Digest

Leipzig Citizens Deal Smashing Blow to Privatization

Jan. 28 (EIRNS)—With a record 148,767 votes, that is 42,000 more than required, an overwhelming majority of citizens of Leipzig, Germany voted against the privatization of their municipal utility, in yesterday's referendum. Mayor Burkhard Jung now has no other choice than to bury his plans for selling 50% of the utility to Gaz de France.

The sale was meant to yield Eu520 million ... not to the citizens, though, but mostly to repay old debt, namely Eu360

million; the rest could be spent for school renovation, kindergartens, and the like. The sale, critics had argued, would also have eliminated an annual income of Eu50 million from the utility's operation into the municipal treasury.

The defeat of Mayor Jung, a Social Democrat, is the more important, as the envisaged sale has been used to block discussions about real alternatives, such as the one that the BüSo's (Civil Rights Solidarity Movement, led by Helga Zepp-LaRouche) mayoral candidate Karsten Werner made during his campaign two years ago, for a debt moratorium and Leipzig initiative, together with other cities, for a New Bretton Woods and establishing a productive credit system. Jung miscalculated the discontent his sales plan provoked among citizens, a sales plan scandalously proposed in the midst of a broad public outcry over the sale of Dresden's entire public housing sector to locust fund Fortress, in early 2006.

Rail Workers Call for Nationalizing U.K. Rail

Jan. 31 (EIRNS)—The British Railway Workers Union (RMT), having recently reiterated its call for renationalizing Britain's railway system, called for rebuilding a national railway industry, to produce rolling stock. The call came in response to the government's release of a plan yesterday, stipulating that new trains should be designed and built in Britain. Making sure that rolling stock is built in Britain, would use the wealth of engineering skills that still exist, and give a massive boost to an industry that has suffered a series of blows in recent years, said RMT General Secretary Bob Crow today.

Italy: Prodi Fall Could Bring 'Authoritarian Democracy'

Jan. 25 (EIRNS)—Italian Sen. Lidia Menapace, who invited Lyndon LaRouche to speak before the Senate Defense Committee last June, commented in her newsletter on the fall of the Romano Prodi government: "The situation is very dangerous, and to us, fascism of the 21st Century appears—that is, authoritarian democracy which oppresses peoples and subjugates them, while thus far, we have been unable to put a brake to the ever more evident crisis of leadership, authority, and effectiveness of political, economic, and social balances of globalization."

In an earlier newsletter, entitled "Authoritarian Democracy Is a Product of Clean Hands," Menapace stated that "the threat of fascism I have warned against for months, is not a copy of the original fascism, but a process towards 'authoritarian democracy' which is dangerously proceeding." A strong component of this slide, wrote Menapace, started with the "Clean Hands" operation, a political/judicial witchhunt against political leaders in the 1992-93 period.

Clean Hands was first exposed by *EIR* as a British-controlled operation, aimed at eliminating the Italian constitutional system, and connected to the enslavement of Italy to the supranational dictatorship of the European Union, and to the massive sellout of Italy's national economy.

Mandelson Leads British Attack on Hillary Clinton

Jan. 25 (EIRNS)—EU Trade Commissioner Peter Mandelson, the architect, with Tony Blair, of the "New Labour" war party in the U.K., is leading a British intervention into the U.S. election with a broadside against Hillary Clinton, in discussion with Ambrose Evans-Pritchard, the *Daily Telegraph* journalist who played a leading role in the impeachment of Bill Clinton in the late 1990s. Mandelson accused Senator Clinton of "inflaming protectionist sentiment in the United States," reported Evans-Pritchard.

"This is the last year the Doha trade round can survive," said Mandelson. "There is little chance of a breakthrough after this president leaves office. People in the current administration tell me the US is turning into a protectionist country. It is a serious concern." He said of Senator Clinton's critiques of free trade: "The things she's been saying reverberate around the

world," adding that "the Democratic Party is not where it was in the free trade heyday of Bill Clinton, but I don't think it is irretrievable."

Russia and the CIS News Digest

Liquidity Crisis Threatens Would-Be 'Safe Haven' Russia

Feb. 1 (EIRNS)—*Kommersant* daily today publishes leaks from a closed meeting of Russian bankers, where Central Bank deputy chairman Alexei Ulyukayev admitted the existence of a severe liquidity crisis in the Russian banking system. According to the report, he told the gathering at the Bor resort near Moscow that the Central Bank was shifting priorities, from inflation control toward stabilizing the banking system, saying that the problem stems from the "U.S. mortgage crisis."

Kommersant quoted several Russian financial analysts who pointed out that such action by the central banks would be in harmony with European central banks and the U.S. Fed, which have launched themselves onto a hyperinflationary curve—although it would run counter to the Russian government's recent anti-inflation measures. Last month, Prime Minister Victor Zubkov put Finance Minister Alexei Kudrin in charge of a task force to curb consumer price inflation. The day after Ulyukayev's reported remarks, the Central Bank announced a *hike* of its benchmark refinancing rate.

Kommersant noted that Ulyukayev's "radical" statement was the first such acknowledgement of how bad the situation is, and called it an effort to reassure smaller banks of support from the central bank. However, the central bank will be unable to raise liquidity through currency purchases as Russia's trade balance turns negative.

The anxiety expressed by Ulyukayev undercut Kudrin's claim, made in Davos, Switzerland the week before, that Russia represents an "island of stability" in the current global crisis. Ulyukayev, central bank head Sergei Ignatyev, and Kudrin himself are all part of a group of 1990s-era, pro-free-trade, liberal reformers, who managed to keep their key positions in Russia's banking and finance institutions, even as President Vladimir Putin's team has shifted to more state intervention to promote industry. Until now, these liberals have preached the doctrine of fighting inflation at almost any price; hence, billions of dollars of Russia's oil export tax revenues have been sequestered in a Stabilization Fund that is kept in foreign government bonds, rather than being invested in the domestic economy. At the same time, this grouping prides itself on following the monetarist policy models of Anglo-Dutch "independent central banking"—into whose current orgy of hyperinflation they admit Russia is now being dragged.

Russian Rail Chief Secures Deals with Armenia, Saudi Arabia

Jan. 27 (EIRNS)—Vladimir Yakunin, CEO of the state-owned company Russian Railways, was among the officials welcoming the Beijing-to-Hamburg demonstration container train when it arrived in Germany Jan. 24. "Railroads have always been a catalyst for economic growth," Yakunin said in his speech at the event, echoing the promoters of the Trans-Siberian Railroad, Dmitri Mendeleev and Count Sergei Witte, from over a century ago. "The steady development of the Russian economy, China's rapid growth, and the expansion of economic ties and trade between Europe and Asia require the intensive development of our countries' transportation systems. These conditions also define a good basis for multilateral projects, like the Beijing-to-Hamburg container train."

PrimaMedia reported that Yakunin outlined the technical side of his company's participation in the 15-day, 9,780-kilometer train trip, including new container-handling capabilities on the Trans-Siberian, and innovations in document-processing to speed up customs.

Russian Railways announced two important international deals this month. On Jan. 16, Yakunin and Armenian Minister of Transport and Communications Andranik Manukian reached agreement for Russian Railways to operate the Armenian national rail network for the next 30 years. The Russian company is paying Armenia the equivalent of \$5.5 million up front, while pledging to invest at least \$570 million into improvements in Armenian rail, according to Armenian wire reports.

On Jan. 21, according to ArabianBusiness.com, it was announced that Russian railways had won an \$800 million tender to build a 520-km rail line from Riyadh Airport to an important junction on Saudi Arabia's North-South railroad project. The latter is designed to support natural resource development. Yakunin is a close ally of President Putin, as well as co-founder of the international public forum "Dialogue of Civilizations."

Ukraine Pushes NATO Membership, to Russia's Ire

Jan. 27 (EIRNS)—Shortly after the reinstatement of Orange Revolution demagogue Yulia Tymoshenko as prime minister of Ukraine, she, President Victor Yushchenko, and chairman of the Supreme Rada (Parliament) Arseni Yatsenyuk sent an appeal to NATO Secretary General Jaap de Hoop Scheffer for the April 2008 NATO summit in Bucharest, to consider inclusion of Ukraine in NATO's Membership Action Plan. One of Tymoshenko's first acts as prime minister was to phone U.S. Vice President Dick Cheney, who had openly lobbied for her political comeback during 2007, as a counterweight to Russia in Central Europe. Kiev's bid for accelerated action on its membership status forms part of the setting for recent Russian denunciations of the eastward expansion of NATO.

The Russian daily *Novyye Izvestiya* reported Jan. 17 that Ukraine's relationship with NATO was on the agenda when U.S. Sen. Richard Lugar, senior Republican on the Senate Foreign Relations Committee, met with Yushchenko in early January. Lugar told the Russian paper, "The Membership Action Plan does not mean actual membership, but a positive answer from Brussels will launch a nationwide discussion."

A spokesman for the Party of Regions, which is in the opposition, although it was the highest vote-getter in last October's elections, said that moving into the Membership Action Plan "will split and destabilize Ukraine." He promised a fight over it in the Supreme Rada. Victor Chernomyrdin, the former prime minister, who is Moscow's current ambassador to Ukraine, told *Novyye Izvestiya* that the move would force "revision" of Russian-Ukrainian relations. Although even Tymoshenko says the process of joining NATO will be "gradual," Ukraine's foreign ministry issued a statement in late January, reiterating the Kiev leadership's commitment to that goal.

U.S.-Russia Nuclear Accord Held Hostage to Iran Policy

Jan. 30 (EIRNS)—Although Presidents Bush and Putin initialed an agreement in July during their Kennebunkport summit in Maine, for U.S.-Russia cooperation in civilian nuclear energy, that agreement has not yet been signed. According to a Russian source involved with the negotiations, Washington has decided to hold the "123" cooperation agreement, as it was called, hostage to Russian policy on Iran—to pressure Russia to support further UN sanctions, and other punitive measures.

Former Vice President Al Gore tried for years, unsuccessfully, to get Russia to cancel its contract to complete the Bushehr nuclear power plant in Iran.

When Bush and Putin initialed their approval of their agreement last July, the Bush Administration said Bushehr would not stand in the way of cooperation.

And the Congress, which will have 90 days from the signing to "dispose" on the agreement, has passed into law the Iran

Counter-Proliferation Act, which bars any U.S. nuclear cooperation with Russia, as long as Russia has any nuclear agreement with Iran.

'Why Are So Many Russian Criminals Living in London?'

Feb. 1 (EIRNS)—Russian commentators have been pointing a finger at Britain's role in undermining Russia. For example, a September 2007 interview with Lyndon LaRouche is posted on websites throughout Russia under the title, "The Danger Comes from London," and a U.S. intelligence source asked *EIR*, "Why is it that so many Russian criminals are living in London?"

The latest development is that the Kremlin is demanding the extradition from Great Britain of Russian oligarch Yuri Nikitin, who is accused of a \$492 million fraud against Russia's shipping fleet. British authorities confirmed that an arrest request has been sent to the Home Secretary in London, but—like many other Russian government warrants—has not so far been acted on.

Speaking from his new home in Berkshire, England, for which he paid \$18 million in cash, Nikitin said: "I want British government protection."

Russian authorities hired a British security firm run by a former Special Air Services (SAS) officer to investigate Nikitin's offshore assets, reported the *Guardian* of London today. His British property is registered to a front company run for him by London city solicitor Lawrence Graham. He is accused of looting the state-controlled shipping company Sovcomflot by bribing its former executives to give him "sweetheart" tanker deals. Sovcomflot, now run by former Transport Minister Sergei Frank, operates one of the world's largest merchant fleets, and provides liquefied natural gas tankers for the energy giant Gazprom.

Nikitin has at least another \$197 million frozen in Russian bank accounts.

The *Guardian* lists ten Russian oligarchs wanted by Moscow, most of whom are sitting quite safely in Britain, including:

Akhmed Zakayev, Chechen politician, wanted for terrorism; Britain refused to extradite him in 2003.

Mikhail Gutseriyev, former head of oil giant Russneft. Britain refused to extradite him on fraud and tax charges.

Boris Berezovsky, accused of embezzlement and given asylum in Britain since 2002.

Yuli Dubov, a Berezovsky ally, whom Britain refused to extradite in 2003 on fraud charges.

Britain also refused extradition of leading officials of the bankrupted Russian oil giant, Yukos: Alexander Temerko, the former vice president of Yukos; and Natalya Chernysheva and Dmitri Maruyev, both former Yukos managers.

Southwest Asia News Digest

LaRouche Warns Against Gaza-Egypt Merger

Feb. 2 (EIRNS)—Schemes to permanently separate the Gaza Strip from Israel, to ostensibly align it economically with

Egypt, are a British-inspired chaos operation run through the Muslim Brotherhood that would escalate the danger of regional war, said Lyndon LaRouche yesterday.

And, both the Egyptian government—President Hosni Mubarak and other Egyptian leaders—and Israeli Defense Minister Ehud Barak oppose such a scheme. This option came to the fore as a result of mass demonstrations that broke through the wall that separates the Gaza Strip and Egypt, after the humanitarian disaster that followed when Israel cut off fuel deliveries—and therefore electricity, water purification, and sanitation in late January. An estimated 700,000 desperate Palestinians fled from Gaza into Egypt to buy food, water, and medicines when they were cut off.

"The danger is that an adjoining Egypt/Israel border at Gaza would accelerate the potential for general war. That is why Barak denounced statements advocating this. He may be ambitious, but he's not stupid," LaRouche said, adding that those who propose a Gaza-Egypt merger, notably the Muslim Brotherhood in Egypt and Palestine, are pushing a British trap.

At the same time however, a high-level Egyptian diplomatic source told *EIR* that the Rafah Crossing should never have been closed in 2006-2007, because the move had turned Gaza into an open-air prison. LaRouche also noted that the U.S.-British-Israeli decision to seal the Rafah Crossing (from Gaza to Egypt) is part of the same British chaos operation. A viable border agreement involving Israel, Egypt, and the Palestinians, was broken by Israel—egged on by the Anglo-American war party—after Hamas was elected as the Palestinian Authority government.

Muslim Brotherhood circles are now trying to exploit the Gaza crisis as an excuse to overturn the Paris Agreement of 1993-1994 that linked the economy of the Palestinian Authority in Gaza and the West Bank, to Israel. According to an Egyptian intelligence source, Hamas is now embracing that idea.

That was in part confirmed by Ismail Haniyeh, the deposed Hamas prime minister, who was quoted today in *Ha'aretz*, telling the pro-Hamas daily *Palestine*, that Hamas would like to see Gaza receive its fuel and electricity from Egypt. "We have said from the days of our election campaign that we want to move toward economic disengagement from the Israeli occupation," Haniyeh said.

Meanwhile, the situation on the ground continues to be fluid. Haniyeh, in the same comments reported above, also said he would not allow Egypt to reseal the border. However, another senior Hamas leader, Mahmoud Zahar, said, after meetings with Egyptian officials today, that "We will work to close the border between us and Egypt [and] restore control over this border, in cooperation with Egypt and gradually."

No Agreement on Iran Sanctions, French Ambassador Says

Feb. 1 (EIRNS)—French Ambassador to the United States Pierre Vimont indicated today, in response to a question from *EIR* as to whether the EU-3 would consider additional sanctions against Iran, that the latest UN sanctions resolution still had a ways to go. "It is not only an agreement between the Permanent-5 that we have to consider, but also, for the sake of unanimity, the non-permanent members of the Security Council. Some members want to wait for the results of the talks that [International Atomic Energy Agency head] Dr. Baradei will be holding with Iran in the middle of February," Vimont said. "With regard to possible EU sanctions, there is also a timetable. Some members of the EU have asked for a postponement on a sanctions resolution until we see the results of the Security Council Resolution." Vimont also indicated that the fact that the United States has a no-negotiations policy with Iran, until Tehran stops enriching uranium, puts a damper on negotiations that the other countries may conduct with Iran; he expressed some frustration with this impediment.

Vimont was speaking at a forum organized by the Middle East Institute in Washington.

Terrorists Shift Tactics in Iraq

Feb. 1 (EIRNS)—While the U.S. military in Baghdad today was announcing at a Pentagon briefing that the number of insurgent attacks in Baghdad had dropped to levels last seen in 2005, close to 100 people were killed in near-simultaneous suicide-bomber attacks, attributed to al-Qaeda in Iraq (AQI), on open-air pet markets in Baghdad. An Associated Press report on today's bombings says, "The U.S. military has been unable to stop the suicide bombings despite a steep drop in violence in the last six months."

At the Pentagon briefing, Army Brig. Gen. Joseph Anderson, Chief of Staff of Multinational Corps Iraq, said that Coalition forces are clearing more bombs than they have in the past four years, and that in the past week of operations, the number of attacks nationwide remained below the average of the past three months. A press release on the briefing notes there was a New Year's offensive, Operation Phantom Phoenix, "aimed at driving al-Qaeda and other extremists from safe havens in outlying provinces."

The reduced violence seems to have led newly confident Baghdad residents to come out to the markets which were bombed today. The shift in tactics was not entirely unforeseen. A *Christian Science Monitor* report on today's bombings notes that the new commander of U.S. troops in Baghdad, Maj. Gen. Jeffery Hammond, warned that the militants might now strike in a more brutal way, trying to regain the initiative with high-profile and complex attacks. "I think al-Qaeda has discovered that because a great job has been done, they just cannot drive their VBIEDs [vehicle-borne improvised explosive devices] like they used to ... we see an adjustment in the suicide vest attack," the *Monitor* quotes General Hammond.

News reports about the bombings show a continuation of a new trend in AQI attacks on the civilian population: the use of female suicide bombers carrying explosives under their clothing. Frequent public security checks are done on males. In addition, it is reported that the suicide bombers were mentally debilitated (variously described as crazy, mentally unstable, or retarded with Down's Syndrome), and the bombs were triggered remotely, not by the women themselves.

Asia News Digest

Chinese Official Press: We Are Not Immune to Crisis

Jan. 28 (EIRNS)—Although leading figures in Europe, Russia, and some in China have claimed that their nations were "immune" to the crash emanating from the U.S. dollar collapse, China's official *People's Daily* today rejected such foolishness, and warned the nation to be "vigilant." The editorial states: "China's exports will be hit badly if U.S. consumption weakens, since the two are so closely linked. Second, the financial markets shock in the U.S. will put China's capital on a rollercoaster ride, against the backdrop of financial globalization. In effect, the direction of the most robust financial market in the world will directly impact China's capital markets through capital liquidity...."

"Emerging economies, China's included, seen by some as substitute economic supports for the world, are unlikely to be immune from the U.S. slowdown due to ties with the U.S. economy, need to heed the risk of being dragged down along with the largest economy in the world."

China Expanding Land-Bridge to Central Asia and Europe

Jan. 29 (EIRNS)—China is planning to begin construction this year on two key rail links to Central Asia: One is a supplement to the Euro-Asian Continental Bridge, which goes through the Alatau Pass to Kazakhstan, and the other is the long-planned railroad from western-most Xinjiang, over the Tian Shan mountains, to Kyrgyzstan and the Fergana Valley, to Uzbekistan and Europe. This railroad will go over passes close to 3,300 meters or 13,000 feet high, and should be

completed by 2010. It will be a key link in the southern passageway of the new Euro-Asian Continental Bridge, Xinhua reported on Jan. 27, two days after the Eurasia Continental Express arrived in Hamburg, Germany in a record 15 days. The regional government of Xinjiang, China made the announcement about the Central Asia lines.

The first rail link will connect Korgas on the China-Kazakstan border with China's inland railways, and should be finished this year. It will extend west from Korgas into Kazakstan, to join the Sary-Ozek railway, to become the second cross-border rail link between China and Kazakstan, since the Urumqi-Alataw Pass to Kazakstan rail link was finished in 1992. The new rail line will ease the burden of Alataw Pass, which is the largest land port in northwest China. The Alataw pass handled 5 million tons of rail exports in 2007, up 60% from 2006.

The second rail line is still in preparatory stage, and will be an enormous undertaking. It will extend west from Kashi in Xinjiang, the city farthest in the world from any ocean, through Kyrgyzstan to Uzbekistan.

India Wants To Export Small Nuclear Reactors

Feb. 2 (EIRNS)—For the first time ever, the Indian Atomic Energy Commission chairman, Anil Kakodkar, throwing a challenge to the nuclear policemen of the world, said that India is prepared to export small civilian nuclear reactors to other developing nations, if it is allowed to do so by the Indian government and the Nuclear Suppliers Group (NSG).

"India is capable of making viable commercial nuclear reactors of 220 MW and 540 MW capacity. Small reactors are the best bet to export," he told reporters at the Koodankulam nuclear power plant site.

Kakodkar said that the government, in principle, had allowed the construction of six 1,000 Mw light water nuclear reactors at Koodankulam, and hinted that the number could be raised to eight to make this site a "nuclear park," if the distance between any two reactors was narrowed down.

He said the nuclear power sector could be opened up to private players. However, as per existing laws, the government should have a 51% stake in any such project, he said.

U.S. and NATO Troops Getting Ready To Fight in Pakistan

Jan. 31 (EIRNS)—According to Indian intelligence estimates, U.S. and NATO troops are preparing to take significant action against the Pakistan-based al-Qaeda Central (AQC) and the Taliban in 2008 and beyond. Although the plans go back to early 2007, when U.S. Vice President Dick Cheney visited Pakistan and apparently discussed the formation of a U.S.-Pakistani special-forces unit that would target AQC and its leadership in Pakistan, recent events in the Pushtun-dominated North West Frontier Province (NWFP), may have expedited the U.S.-NATO timetable. Indian intelligence points out that the United States had worked out a tentative deal with former Prime Minister Benazir Bhutto, who was assassinated on Dec. 27, that would have allowed U.S.-NATO forces to openly operate and target AQC and the Taliban in the autonomous border regions of Pakistan.

The decision to invade Pakistan by foreign troops is fraught with danger, especially the threat that the militants would pose to Islamabad following an invasion. It is acknowledged that the militants have a wide presence east of the Indus River, in the Pakistani provinces of Punjab and Sindh. Open military activities by foreign troops inside Pakistan could trigger a massive response by the militants throughout Pakistan, precipitating a civil war-like situation.

In a recent interview with a senior Pakistani journalist, closely associated with the Pakistani Army, an Afghan Taliban commander pointed out that since Pakistani tribal militants in the border region had started fighting Pakistan's Armed

Forces, the Afghani Taliban had cut all ties with them. The commander said that the Taliban had a clear policy of refusing to fight any other Muslim country, especially Pakistan or its Army.

U.S. Links Nuclear Deal with India to WTO Concessions

Jan. 31 (EIRNS)—Washington is presenting the U.S.-India nuclear deal as a carrot, to try to pry open the Indian market for U.S. cartel farm products, according to P.K. Vasudeva, trade professor at a business school in Chandigarh, Punjab. Until now, India and the United States have had diametrically different positions on almost all issues of the World Trade Organization's Doha agenda, thanks to differing economies and trading patterns. On agriculture, the two countries have fought a protracted battle. A senior Indian trade negotiator told the chief U.S. farm trade negotiator that Washington's proposal "is not worth the paper on which it is written," because of the lack of symmetry between what the U.S. was asking for and what it was ready to give.

On the other hand, the U.S. has noticed the eagerness of India's weak Manmohan Singh-led coalition government to get the U.S.-India nuclear deal through. The deal, which is fraught with serious problems, is considered by Prime Minister Singh as a "marvelous" legacy of the present government.

It is said in New Delhi that the U.S. will influence the commitments that India undertakes at the International Atomic Energy Agency (IAEA) and the Nuclear Suppliers Group (NSG) to get the nuclear deal ready for the U.S. Congress to pass it. It would be naive to expect America to play no role in the IAEA Board of Governors' vote on the final version of the safeguards agreement.

Lieberman Organizes Musharraf-Barak Meeting in Paris

Feb. 1 (EIRNS)—U.S. Sen. Joe Lieberman (I-Conn.) was in Islamabad organizing meetings between Pakistani President Pervez Musharraf and Israeli Defense Minister Ehud Barak. The meetings took place Jan. 25-26, in Paris. Pakistan does not have diplomatic relations with Israel, but the two countries have maintained contact. Islamabad had initially denied that the meetings occurred, but later confirmed it.

Israeli media claims the two discussed Iran's nuclear program. The intentions of Lieberman, who promotes military intervention to stop Iran's nuclear program, are suspect. Although Tehran did not officially respond to the meeting, one item in Iran's Press TV indicates displeasure. It said that Iran should break ties with that begging-bowl of a country Pakistan once and for all; that Pakistan is a British-created cancer in the region and its very existence as a pawn of the Western imperial powers is an affront to the Muslim world; and that it is no surprise that Pakistani leaders meet with Israelis, because they were created by their British masters for these very reasons.

Africa News Digest

Anti-Government Chad Rebels Repulsed from Capital

Feb. 4 (EIRNS)—Chad Interior Minister Ahmat Mahamat Bachir told Radio France Internationale that the anti-government rebels left the capital city, N'Djamena, overnight. The Union of Forces for Democracy and Development (UFDD) rebels admitted they were out of N'Djamena, but said: "We decided to retreat to give the population a chance to get out," according to rebel spokesman Abderaman Koulamallah.

A coup attempt began on Jan. 28 when rebels entered Chad from the Darfur region of Sudan (an area not effectively controlled by the Sudan government), according to press accounts, with an estimated 300-vehicle convoy of armed pickup

trucks. The invasion began the same day that the EU peacekeeping force (which is going to be mainly French) was given its final approval. Chad's President, Idriss Déby Itno, said Chad would pursue the rebels across the border if necessary.

The rebels entered the capital on Feb. 1, and took positions around the government headquarters.

On Feb. 3, Déby brought out tanks and helicopters in N'Djamena, to use against the rebels' pick-up trucks and light weapons, and regained parts of the capital. A spokesman for the rebel movement, the UFDD, today accused France of buying time for Déby, allowing him to counterattack, according to *Le Journal du Dimanche* online.

France has 1,100 troops in Chad, and condemned the rebel action, but Defense Minister Hervé Morin said that France is staying neutral. Only a small number of extra French troops were sent to facilitate the evacuation foreign nationals. French President Nicolas Sarkozy, in discussions with Déby, offered to give him and his family asylum in France.

These developments further destabilize one of the most volatile regions of Africa. Sudan, at the end of December, saw one of its southern neighbors, Kenya, being wracked by violence. Now, the government of Chad, its neighbor to the west, is reported to be on the verge of collapse, with serious implications for the crisis in the Darfur region. Many people from Darfur have fled to eastern Chad. Since the latest fighting started, the anti-Déby rebels in Chad have criticized Déby for not supporting the Darfur rebels.

The African Union was meeting in Addis Abeba while the Chad developments were taking place. Its new head, Tanzanian President Jakaya Kikwete, said the AU would not recognize the rebels should they seize power, indicating their fear of the implications for the region, if the change in government—something nobody in the region wants—is allowed to be consolidated.

Kenya Violence Continues; Talks Tentatively Set

Feb. 1 (EIRNS)—Former UN Secretary General Kofi Annan reported today that Kenyan President Mwai Kibaki and opposition leader Raila Odinga of the Orange Democratic Movement (ODM) have agreed to a four-point agenda for talks. The day before, after opposition parliamentarian David Too was shot and killed, talks had been postponed. Meanwhile, violence continues.

On Jan. 28, the head of the Catholic Church in Kenya, John Cardinal Njue, and other religious leaders in Nairobi, said that the violence is no longer a protest over disputed Presidential election results, nor is it spontaneous, but rather it is being planned and executed by organized gangs, according to the *East African Standard* of Jan. 27.

The death rate is soaring, and cities and towns in the Rift Valley province are burning, as the violence escalated in the wake of a Jan. 24 meeting between Kibaki and Odinga, organized by Kofi Annan.

The destabilization is being reported simplistically in the Western press as originating from ethnic conflicts. On Jan. 24, Human Rights Watch accused Odinga-allied forces of planning and organizing attacks on Kibaki supporters, many of whom are from the Kikuyu ethnic group—as is Kibaki—after contested elections Dec. 27. After the talks mediated by Annan, Odinga's ODM agreed to call off the protests. But violence against Kikuyus continued.

Now, Kikuyu revenge attacks are being reported. ODM leaders on Jan. 26 accused the government of using outlawed Mungiki sect members to escalate the crisis, and said that they were being protected by police. Odinga described those behind the killings as marauding gangs who were killing members of the Luo community. The ODM wants the government to stop using the Army to contain the new clashes, according to *The Nation*.

On Jan. 29, a newly elected ODM member of parliament, Melitus Mugabe Were, was dragged out of his car and shot. ODM spokesman Tony Gachoka asserted that Were may have been targeted by political foes. "We want no stone unturned in the investigation, but we suspect foul play." The government has made no comment.

Riots broke out across Kenya in response to the murder. More than 900 people have been killed since the Dec. 27 election. Today, two Kenyan military helicopters used rubber bullets to disperse a mob of Kikuyus who were threatening revenge attacks against Luo refugees 37 miles from Nairobi. This indicates that somebody in President Kibaki's Kikuyu-dominated party wants to rein in the violence.

Yesterday, during a visit to Kenya, Lord Mark Malloch-Brown, the British minister for Africa, Asia, and the UN, said that "what is alarming about the last few days is that there are evidently hidden hands organizing [the violence] now." He didn't speculate as to any bodies that these invisible hands might be attached to.

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[top of page](#)

[home page](#)