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2007 Was Already a Year of World Crisis:
How Russia Was Surprised
by Lyndon H. LaRouche, Jr.

December 27, 2008

The following report is focused upon the indicated situation in U.S.A.-Russia relations; but, the subject, nonetheless, is that immediate fate of humanity as a whole, whose favorable outcome will depend significantly on Russia's participation in its urgently needed, but corrected view of the present global situation. If the world is to avoid a presently threatened dive into a prolonged, planet-wide, ``new dark age" of all humanity, four leading nations the U.S.A., Russia, China, and India—must act soon, in concert, to bring into being a new, global system of virtually all nations into a system of anti-imperialist cooperation among sovereign nation-states. Russia's playing its part in this four-power initiative, is of crucial importance for the nations as a whole. In this report, the emphasis upon Russia, is made accordingly....

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This Week's Cover

- **2007 Was Already a Year of World Crisis:**
How Russia Was Surprised
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The subject of this report is the immediate fate of humanity as a whole, 'whose favorable outcome will depend significantly on Russia's participation in its urgently needed, but corrected view of the present global situation. If the world is to avoid a presently threatened dive into a prolonged, planet-wide, 'new dark age' of all humanity, four leading nations—the U.S.A., Russia, China, and India—must act soon, in concert, to bring into being a new, global system of virtually all nations into a system of antiimperialist cooperation among sovereign nationstates. Russia's playing its part in this four-power initiative, is of crucial importance for the nations as a whole. In this report, the emphasis upon Russia, is made accordingly.'

- **Marx on Smith, Free Trade**

Feature

- **Why the Academicians Have Usually Failed in Economics**
by Lyndon H. LaRouche, Jr.

'One senses an approaching moment, like that silence heard by those either in the life-boats, or swimming in the chilling Atlantic ocean waters, in that moment when the S.S. Titanic had vanished under the waves,' LaRouche writes. Why then do academic and other economists insist upon denying the reality of LaRouche's July 25, 2007 forecast? 'The incompetence of my academic rivals' failure as forecasters,' LaRouche continues, 'lies presently in the way in which they define the subject itself. They have employed a method of

forecasting which might be compared to the zeal of a passenger searching to upgrade his stateroom assignment on a sinking ship.'

Economics

- **Lesson of 2008:**

- **If You Want To Survive, Listen to LaRouche**

- The past year was one in which denial and delusion battled vainly against the relentless assault of reality. We entered the year with assurances that all was under control, and exited the year deep into an ever expanding, yet failing, bailout. **John Hoefle** reports.

- **Is the Whole World Financial System One Big Madoff Swindle?**

- **by Helga Zepp-LaRouche**

- In Europe as in the United States, the 'experts' are reaching for new bailouts, new schemes to save the bankrupt system. All attempt to prop up the banks and hedge funds, at the expense of the population, and none of them will work.

International

- **Gaza Attack:**

- **A Preemptive Strike Against Peace**

- Lyndon LaRouche denounced the Israeli invasion of Gaza as an 'act of supreme insanity' that could lead to the destruction of Israel altogether.

- **Message to President-Elect Obama:**

- **Beware of British Pitfall in Sudan**

- **Afghan Opium and Terror in South Asia**

- While drug-runner Dawood Ibrahim's involvement in the Mumbai massacre has been tossed about in the media, investigators are ignoring the drug angle itself. Is this deliberate, in order to abort the investigation?

- **International Intelligence**

National

- **End the Bailouts! New 'Pecora Hearings' Now!**

- **GMAC 'Bank' Deal Is Blackmail**

- Lyndon LaRouche called for immediate Congressional hearings, along the lines of the 1932-34 Pecora Commission, to investigate the swindles that have triggered the greatest financial breakdown crisis in history.

- **Tell the Bankers:**

- **'Straighten Up Your Pecker, Face Reality'**

- Use the FDR model, and put Wall Street in the dock.**

Lincoln Bicentennial

- **Re-creating the Republic:**

- **How Lincoln Organized Victory for the Union**

- A reprint of an article by the late historian H. Graham Lowry, in celebration of the 200th anniversary of Abraham Lincoln's birthday on

Feb. 12, 1809.

- [On the Declaration of Independence](#)

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Book Reviews

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Economics for a Crowded Planet,
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U.S. Economic/Financial News

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U.S.-Made Steel Plunged 50% September to December

Jan. 2 (EIRNS)—Steel production in the United States virtually became a trickle after years of consolidation and shutdown of the nation's big steel companies. Profits and productivity shot up only due to this shakeout of the industry. But now even that has collapsed. The *Houston Chronicle* reported that output of U.S.-made steel plunged 50% since September, as credit dried up and companies closed down, especially auto makers. "By late December, output was down to 1.02 million tons a week from 2.1 million tons on Aug. 30, the American Iron and Steel Institute reported," and the price of a ton of steel is down by half since Summer. "We are making our steel at four mills instead of six," said John Armstrong, a spokesman for the U.S. Steel Corp., who added that two mills were recently idled and the four still operating are at less than full capacity.

Steel industry groups issued a call to the incoming Obama Administration for a stimulus plan to get America building and to require a goods purchased with stimulus monies to be made in America. "What we are asking," said Daniel R. DiMicco, chairman and chief executive of the Nucor Corp., a giant steelmaker, "is that our government deal with the worst economic slowdown in our lifetime through a recovery program that has in every provision a 'buy America' clause."

U.S. Treasuries Selling at Record Low Yields

Dec. 28 (EIRNS)—With interest rates scraping zero under the insane Fed policy, the U.S. Treasury is faced with selling record amounts of debt for next to nothing. Treasury claims it will sell \$2 trillion in debt this fiscal year, although that is less than one fourth of the money it has dumped into the world garbage can called a banking system thus far. Bloomberg reports that the yield on the 30-year bond was 2.5090% on Dec. 18, the lowest since regular sales of the security began in 1977—going on the principle that people would rather have almost no income in government paper than lose everything in the speculation-dominated private financial system.

Hedge Funds Took Pension Funds Down with Them in 2008

Jan. 3 (EIRNS)—Hedge funds suffered their worst year yet, in 2008, losing 18% in assets and suffering a net outflow of \$370 billion according to the consulting firm Hedge Fund Research, reported the *Washington Post* today. They're also taking many state pension funds with them, funds that made the mistake of investing in these "sophisticated investment strategies." According to Hedge Fund Research, hedge funds' capital base dropped from an all-time high of \$1.93 trillion in June to \$1.56 trillion by October. Investors withdrew \$70 billion, and \$300 billion was accounted for by performance losses. Pension funds that invested in hedge funds have suffered similarly. The Pennsylvania state pension fund lost 14.4% in the first nine months of 2008. One-fifth of it was invested in those "sophisticated investment strategies" which lost 31%. The state pension fund in Massachusetts was down 30% last year, through November, including 18% from its hedge fund investments.

States' Pension Funds Suffer Big Losses in 2008

Dec. 31 (EIRNS)—The inevitable losses to states' pensions funds occurred, as Congress failed to adopt Lyndon LaRouche's economic recovery plans. Here is a very small sample from around the nation:

* Texas: Three public pension funds for Houston government employees—fire, police, and municipal workers—have lost a combined \$1.9 billion in value since the beginning of the year, according to the *Houston Chronicle*.

* Massachusetts: The state pension fund lost \$2 billion in November, bringing its loss for the year to \$16.1 billion, the worst performance since it was formed. The return on the fund, used to pay the pensions of public sector retirees, is down 30.1% for the year through November.

* New Jersey: The pension fund for teachers and government workers declined by 24.6% or about \$21 billion through November, according to reports delivered to the State Investment Council.

* Wyoming: The state's investment portfolio had lost, as of November, \$1 billion in market value. The Wyoming public employee pension fund has taken a 25% plunge in market value.

* California: San Jose's retirement director says the city's pension funds—one for firefighters and police and the other for civilian workers—have lost nearly \$1 billion since July 1.

Global Economic News

South Korea To Be 48% Nuclear

Briton Calls for U.S. To Reinstate Glass-Steagall

German Farmers Head: Ag Production Chain Breaking Down

Ex-BOE Banker Compares Britain to Iceland

Germany To Repeat U.S. HMO Insanity

South Korea To Be 48% Nuclear

Dec. 28 (EIRNS)—South Korea announced a \$28.5 billion, 15-year energy plan today, calling for 12 more nuclear plants, raising the nuclear percentage of the nation's power supply from 34% to 48% by 2022. It will also build seven coal-fired plants and 11 LNG-fired plants, reducing the oil-fired dependence from 1.9% to 0.2%. (South Korea is almost entirely dependent on imports for its oil.) The cost of nuclear is 3 won/kw, compared to 22 won/kw for coal and 89 won/kw for gas.

Briton Calls for U.S. To Reinstate Glass-Steagall

Dec. 29 (EIRNS)—Writing in the *Daily Telegraph*, commentator Liam Halligan called for the re-introduction of the Glass-Steagall Act in the United States—a measure which Lyndon LaRouche has identified as a necessary component of any competent package of bankruptcy reorganization of the banking system.

Halligan writes that the key problem is that the banks are holding huge amounts of toxic waste, the amount of which they refuse to reveal. That is why they are not lending to anyone, including creditworthy firms and households. All the solutions attempted, including low interest rates and government takeovers, have not worked and will not work. He calls for threatening the banks with prosecution unless they come clean on their toxic waste exposure.

"Above all, we need to re-introduce the Glass-Steagall Act of 1933. This legislation—the centre-piece of America's response to the 1929 Wall Street crash—was copied across the Western world.

"Glass-Steagall prevented commercial banks—which take in deposits and service ordinary firms and households—from engaging in the high-risk speculative activities undertaken by investment banks.

"In the early 1990s—after huge lobbying by Wall Street, and lots of ridiculous talk about 'freedom'—the legislation was repealed. No other single action has done more to cause this crisis.

"The money men have, so far, managed to close down any talk about restoring Glass-Steagall. But that debate must now take place. That's why Glass-Steagall will be the subject of my first column of 2009."

German Farmers Head: Ag Production Chain Breaking Down

Dec. 29 (EIRNS)—The president of the German Farmers Union, Gerd Sonnleitner, issued a warning for 2009, of a grain shortage and an explosion of prices. The statement said that farmers worldwide cannot afford fertilizer, thereby compelling them to reduce the acreage they plant. In Germany, there is not enough credit for the agricultural trading houses to buy up all the 2008 grain harvest, and therefore, a large proportion of this year's harvest is still stored on the farms, at immense cost. Farmers are using part of it for feed, or continuing to use it for biofuels. Production costs are no longer covered at all, said Sonnleitner.

Internationally, there are only two months of grain reserves, he pointed out. Land use for wheat production could fall by 1.6% worldwide in the new crop season, according to the International Wheat Council. Both the very good harvest of Summer 2008, and the grain price collapse of the last several months, have led many farmers to plant other crops, reducing wheat production next season. All of this, Sonnleitner warned, could lead to a "price explosion" in grains in 2009. He demanded that the government take action to restore trust in the markets.

Ex-BOE Banker Compares Britain to Iceland

Dec. 29 (EIRNS)—In a feature on the euro, the *Financial Times Deutschland* today quotes economist William Buiter, ex-member of the Bank of England calling London "Reykjavik-on-Thames," comparing Britain's economy to Iceland's dire financial situation. Buiter calls for Britain to enter the eurozone in order to save itself. It might as well jump into the Atlantic, right away.

Germany To Repeat U.S. HMO Insanity

Dec. 29 (EIRNS)—On Jan. 1, a new agency will be introduced in Germany called the National Health Fund. It is a variant of the U.S.-style health maintenance organizations (HMOs), schemes to cut medical care and allow private rip-offs, which were phased in over the decades since the first U.S. HMO Federal law was signed in 1973.

All insured German citizens will pay into the new fund, which will then equally redistribute the money to the health insurance funds, with the implication that as citizens' incomes dwindle, either the total dues paid to the fund will decrease, or individuals' dues will have to be increased to compensate. The cap imposed on the health insurance funds will force those with a high proportion of members with chronic and/or serious illnesses, to cut services to them, or take funds from the other members.

German health insurance funds expect to lose at least Eur440 million in revenues from member dues in 2009, caused by diminishing incomes, a percentage of which goes into the health insurance funds. Combined with expected price increases for many, if not most pharmaceutical products, the insurance funds expect an extra financial burden of Eur1 billion for 2009—implying the need to increase the citizens' monthly health fund bill.

United States News Digest

[McCaffrey: U.S., Mexico Should Fight Narcoterror Together](#)

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[Pelosi, Obama To Meet on Jobs, Economic Crisis](#)

Politics, Indeed, Makes Strange Bedfellows

Israeli Spy with Links to Pollard Reaches Plea Agreement

Concealed Weapons at the Obama Inauguration

McCaffrey: U.S., Mexico Should Fight Narcoterror Together

Jan. 2 (EIRNS)—Former President Bill Clinton's anti-drug czar, Gen. Barry McCaffrey (ret.), who is today an adjunct professor at West Point, issued a dramatic and accurate warning on Dec. 29, that the United States must quickly and fully come to the aid of its southern neighbor, which is now "fighting for survival against narcoterrorism.... Mexico is on the edge of the abyss—it could become a narco-state in the coming decade."

U.S. aid must respect Mexico's sovereignty, and it must include an abrupt end to U.S. refusal to shut down weapons trafficking and money shipments from the United States into Mexico, McCaffrey emphasized. Perhaps 90% of the high-powered weapons used by the cartels are smuggled across the U.S. border. "The confiscation rates by Mexican law enforcement of hand grenades, PGSSs, and AK-47s are at the level of wartime battlefield seizures. It is hard to understand the seeming indifference and incompetence of U.S. authorities at the state and Federal level to such callous disregard for a national security threat to a neighboring democratic state. We would consider it an act of warfare from a sanctuary state if we were the victim," he wrote.

McCaffrey's warning constitutes a head-on attack against speculator George Soros's Opium War against the United States and its neighbors. It was issued in the form of a public *After Action Report* for West Point, following McCaffrey's Dec. 5-7 visit to Mexico, where he participated in a meeting of the International Forum of Intelligence and Security Specialists which advises the Mexican government.

McCaffrey spoke out repeatedly against the conduct of the Bush-Cheney-Rumsfeld wars, and also, as Clinton's 1995-2000 anti-drug chief, took on Soros, by name, and his drug-legalization drive, as a threat to the United States. He also allied with Colombia to stop Wall Street's war to force Colombia to capitulate to the drug cartels.

Mexico's Calderón government is committed to fighting the drug trade, McCaffrey argues, but it requires significant assistance from the United States, quickly, before the incredible levels of narcoterrorism, and the corruption and intimidation of the populace convince political authorities to remain passive. Already, he warns, there is "increasing discussion of legalization of drugs, or acquiescence in the drug trade."

"Now is the time, during the opening months of a new U.S. Administration, to jointly commit to a fully-resourced major partnership as political equals of the Mexican government," McCaffrey concluded.

Soros's 'Mexican' Drug War Is Coming to U.S.

Jan. 2 (EIRNS)—With Mexican-based drug cartels having gang members in over 200 U.S. cities, President-elect Obama will face an immediate crisis of escalating violence from cartels battling for greater U.S. market share, today's *Washington Times* blares.

The National Drug Intelligence Center (NDIC)/U.S. Justice Department had reported in April 2008, in its "Cities in Which

Drug Trafficking Organizations Operate in the United States," that Mexican cartels operate in at least 195 U.S. cities, and in every state except Montana and Vermont. By the time the National Drug Threat Assessment 2009 report was released in mid-December, that number had risen to 230.

Inside Mexico, anywhere from 4,000 to 5,300 people were killed in drug-related violence in 2008. At least 450 Mexican police officers and soldiers have been killed since January 2007. In June, Congress passed legislation to provide Mexico with \$400 million for law enforcement training and equipment, but this includes no weapons for the vastly outgunned Mexican police forces. President George W. Bush has tried to shut down the NDIC since 2005, including in his 2009 budget.

The *Washington Times* reports that Obama has said his Administration will target transnational gangs, violence, drugs, and organized crime, citing Obama's statement that "it's time to work together to find the best practices that work across the hemisphere, and to tailor approaches to fit each country." He will direct his Attorney General Eric Holder and Homeland Security Director Janet Napolitano to "sit down with all their counterparts in the Americas during my first year in office. We need tougher border security, and a renewed focus on busting up gangs and traffickers crossing our border. As President, I'll make it clear that we're coming after the guns; we're coming after the money laundering, and we're coming after the vehicles that enable this crime."

This will not please George Soros, the number-one funder of drug legalization efforts in the United States, who thought he had bought the Democratic Party.

Obama's Transition website supplied the curt answer, "The President-elect does not support marijuana decriminalization" to a "Round One" question arguing for it. In "Round Two" of questions, whose answers are to appear in coming days, three more questions on drug decriminalization appear.

Pelosi, Obama To Meet on Jobs, Economic Crisis

Jan. 1 (EIRNS)—Speaker of the House Nancy Pelosi would like to have a bill on the economy to be voted up the House of Representatives as soon as the "week of Jan. 12," says the *Washington Post* today. She will meet President-elect Barack Obama early next week, after he moves to Washington, D.C.

But, there is no concrete legislation yet being proposed, and the House is still in the stage of planning hearings which won't be finalized until after the Pelosi-Obama meeting. Pelosi said in a letter to House Democrats that the first hearing, on Jan. 7, will be about "the need to act with deliberate speed to safeguard as many as three million jobs" by making needed investments in infrastructure, alternative energy science, etc. The vague wording may be due to the fact that Obama has not yet given Pelosi the proposals specifying what the White House wants. The Jan. 7 hearing will be followed by a series of hearings before several committees, says the *Post*. Witnesses would include Robert Reich, the former Labor Secretary under Clinton, and Mark Zandi of Moodys.com.

Sources in the Democratic Party have told *EIR* that Obama would like to have a bill that immediately creates jobs to sign on Jan. 20.

Politics, Indeed, Makes Strange Bedfellows

Jan. 1 (EIRNS)—New York City political consultant Josh Isay is very busy these days, managing the political campaigns of two unlikely bedfellows: Caroline Kennedy and Israel's Benjamin Netanyahu. Kennedy hired Isay, a campaign consultant to both Sen. Joe Lieberman (I-Conn.) and New York City's Mayor Michael Bloomberg, to manage her efforts to

win the appointment to the U.S. Senate seat being vacated by Hillary Clinton, presuming the latter is confirmed as the next Secretary of State. Several weeks earlier, the *New York Observer* received a confirming note from Isay that he had signed up with Netanyahu, to bolster the Likud boss's campaign to be the next prime minister of Israel, in elections scheduled for February.

Israeli Spy with Links to Pollard Reaches Plea Agreement

Jan. 1 (EIRNS)—Ben Ami Kadish, an 85-year-old American engineer who worked at a U.S. Army research laboratory for decades, has reached a plea agreement with Federal prosecutors, to avoid a long jail sentence. Kadish admitted that he had passed U.S. military secrets to Israel, and identified a former science attaché at the Israeli UN Mission in New York City, Yosef Yagur, as his controller and the man to whom he passed the classified material. Yagur fled the United States in 1985, when Jonathan Pollard was arrested as an Israeli spy. Yagur had been one of Pollard's handlers as well. Kadish was arrested in March 2008, and confessed to the FBI that he had passed 50-100 classified documents, including details of the U.S. nuclear weapons program and engineering specs on the F-15 fighter jet, to Yagur during the early 1980s, the same time that the Israeli official was getting massive amounts of Pentagon secrets from Pollard.

Concealed Weapons at the Obama Inauguration

Dec. 29 (EIRNS)—A month after Barack Obama was elected, and in the midst of concern about his possible assassination, the Bush/Cheney Department of Interior announced a change in regulations that could directly compromise the President-elect's security. Starting in early January, people will be allowed to carry concealed weapons in U.S. National Parks, as long as they have concealed firearms permits in their home states, and the district or state which the park is in allows concealed weapons. Obama is to be inaugurated Jan. 20 on the National Mall, two miles of National Park land.

Washington, D.C. does not allow concealed weapons, but *The Hill* reports that D.C. Congressional Delegate Eleanor Holmes Norton and others have said that the confusion over the new Bush/Cheney regulation could lead visitors to bring concealed weapons to the Inauguration.

Ibero-American News Digest

Mexico: Former Presidential Spokesman Demands Soros's Drug Legalization

Soros's Wall Street Allies Urge Pact with Cartels, Too

Mexico's CNC Calls for Impeaching Agriculture Secretary

Ibero-America's Physical Economy Breaking Down

Mexico: Former Presidential Spokesman Demands Soros's Drug Legalization

Dec. 22 (EIRNS)—Proving exactly the point about Mexico made by Gen. Barry McCaffrey (see U.S.A. Digest), Ruben Aguilar, who served as press spokesman for former President Vicente Fox, has called on President Felipe Calderón to stop trying to defeat the drug cartels militarily, and negotiate with them instead to legalize the drug trade.

In an interview with *Frontera de Tijuana*, published Dec. 18, Aguilar, who was trained by the Jesuits for 14 years

preparing for the priesthood, stated that "wars aren't won; they are negotiated." What Calderón should do, he said, is make unofficial deals with the drug lords to attain a "peace" based on respecting their routes, markets, the areas through which trafficking occurs, and their zones of influence, including border crossings into the United States.

A day later, Calderón angrily responded to Aguilar. Without naming him or Fox, he stated, "My government doesn't negotiate, nor will it ever negotiate, with criminal organizations." Adding that he will deploy the full force of the State against "the enemies of Mexico," Calderón made a thinly disguised reference to Fox, saying that Mexico today is paying the price for the inaction of previous governments, whose policy was to "manage" the drug problem, rather than fight it.

Fox has publicly called for drug decriminalization, as has Calderón, although the latter's recent statements reflect a much tougher stance. Aguilar's pedigree is typical of those self-proclaimed "revolutionaries" around Ibero-America—hit men actually—who are jumping into bed with George Soros and the drug cartels under the guise of promoting a more "humane" policy.

In the early 1980s, when several Central American nations were convulsed by civil war, Aguilar, a Mexican national and sociologist by training, joined the most radical wing of El Salvador's Farabundo Martí Liberation Front (FMLN), serving as its press spokesman at one point.

Responding to Aguilar's statements, Congressman Jorge Manuel del Río Virgen, Secretary of the Chamber of Deputies' executive committee, called on the Attorney General to immediately begin an investigation of both Fox and Aguilar, to determine whether they made deals or negotiated with Mexico's drug cartels. Were this the case, he said, "more than a form of governing, this is a crime."

Soros's Wall Street Allies Urge Pact with Cartels, Too

Dec. 29 (EIRNS)—A part of the U.S. financial and banking establishment, represented by Wall Street's Americas Society (AS) and the Council of the Americas (COA)—both founded by David Rockefeller—is flaunting its alliance with Nazi George Soros, in promoting the British Empire's drive for drug legalization in Ibero-America. It is meant as a clear message for the Obama Administration.

The website of these two entities, whose members include the top U.S. corporations doing business in Ibero-America, prominently posted a Dec. 19 article entitled "Drug Cartels Move Beyond Borders." Under the guise of discussing the spread of Mexico's drug cartels into Central and South America, the article delivers the unmistakable message: The war on drugs is unwinnable, and the only viable "solutions" are decriminalization and legalization.

After citing the 2009 National Threat Assessment that Mexico's drug cartels pose "the greatest organized crime threat to the United States," what does the article propose as a remedy? The same thing that former Mexican President Vicente Fox's spokesman Ruben Aguilar just proposed—negotiating a deal with the drug cartels. It quotes one Jason Lakin, a blogger for the *Harvard International Review* and a Harvard PhD candidate, who is campaigning for making peace with the cartels. It may sound "awful," Lakin says, but let's face it: conflict around the world with despicable and violent organizations is "driven by how accommodating societies are of illegal activity at different points in time." So, he concludes, clearly the cartels will cease their violence, if society will strike a deal with them!

The Rockefeller crew also cites OpenDemocracy.net, a British not-for-profit "charity," which claims that the sentiment in Ibero-America as a whole now favoring legalization is now "overwhelming," means it is a "perfect time to give it a try."

Mexico's CNC Calls for Impeaching Agriculture Secretary

Dec. 26 (EIRNS)—In the midst of a devastating crisis for Mexican agriculture, the head of the National Peasant Federation (CNC), Cruz López Aguilar, has called on the National Congress to begin impeachment proceedings against Agriculture Secretary Alberto Cárdenas, for willfully neglecting the needs of particularly small farmers and peasants, and using his position instead to advance his own "ultra-right" Presidential aspirations.

The crisis of Mexican agriculture is dire, López Aguilar warned on Dec. 21. In 2008, fully 350,000 small farmers and peasants were forced off the land, because they lacked the resources to produce food. That meant that 23 billion *fewer* tons of food were produced, and Mexico had to import 50 billion tons to compensate for that deficit. In 2009, he added, it will be worse. At least 500,000 small farmers will abandon agriculture. Add to this many tens of thousands more peasants returning to Mexico from the United States, where they have lost their jobs, and the result will be "social conflict" and chaos.

How has Cárdenas approached this crisis? The CNC charged that the Agriculture Secretary is an "authoritarian" in outlook and announced that it is breaking off all relations with him and his office. Instead, the CNC demands that President Felipe Calderón be its only interlocutor from now on, as Cárdenas "has acted against the interests and rights of the national peasantry," seeking only to become the Presidential candidate of Mexico's "ultra-right."

Cárdenas is a key player in a reactivated Synarchist movement in Mexico, taking shape through a splitoff from the National Action Party (PAN). While he remains in the PAN, for now, Cárdenas shares the radical-fascist outlook of this new grouping with one of his longtime allies, José Luis Luege Tamargo, the head of the national water agency, Conagua; Luege is affiliated with Prince Philip's World Wide Fund for Nature (WWF). Like Luege, Cárdenas opposes the Northwest Hydraulic Plan (PLHINO), the great infrastructure project that Lyndon LaRouche has long advocated, and which, if built, could bring water to Mexico's arid northwest, and greatly expand agricultural production.

During an early-December trip to Sonora, Cárdenas publicly asserted that the PLHINO was "too costly" to be built. He was immediately denounced by the Pro-PLHINO Committee of the 21st Century, which warned in a press release that the Agriculture Secretary's policies would condemn millions of Mexicans to death by starvation, and documented his ties to the WWF's man, Luege Tamargo.

Ibero-America's Physical Economy Breaking Down

Dec. 31 (EIRNS)—The crash of the global economy is reflected in Ibero-America in sharp declines in the steel and related industries in the region's three largest economies: Mexico, Brazil, and Argentina.

STEEL:

* Mexico: According to Worldsteel, Mexican steel production dropped by 25.2% in November. Purchasing.com reports that U.S. and Canadian buyers may soon be able to buy Mexican steel at bargain-basement prices, given that demand is dropping and, therefore, prices also. Mexican production of trucks, cars, ovens, refrigerators, etc. "has plummeted." The drop in domestic demand has also caused contraction in industrial production. A J.P. Morgan Securities analyst notes that service centers have had to cut inventories and sharply reduce orders from mills; in turn, steel mills, have begun price cuts, driving hot-rolled steel prices to \$700-750 per ton in local markets, which is \$100 under the U.S. baseline price.

The Mexican steel supply expanded by 5.7% in 2008, but demand fell by 4.6% Existing steel mills are now preparing to switch export emphasis from South American customers to NAFTA trade partners, the U.S. and Canada.

* Brazil: The volume of steel exports dropped by 10.5% between January and November, to 7.9 million tons, due to declining production. The Brazilian firm Gerdau, the world's second-largest producer of long steel, estimates that the last three months of 2008 will show a 25% drop in production. The National Steel Company (CSN) plant at Volta Redonda in Rio de Janeiro, had fired 400 workers as of mid-December, and after the union refused to accept wage and benefit cuts, CSN announced it would fire 3,000 more, 1,200 in December and 1,800 in January.

Vale do Rio Doce, the world's largest producer of iron ore, has seven units that produce iron ore pellets, but only one is in operation.

* Argentina: Steel production dropped by 25% in November, compared to November 2007. Iron production fell by the same amount.

AUTO:

* Mexico: Sales of auto parts and cars will have dropped by 5% and 7%, respectively, in 2008. Of 470,000 workers in the auto parts sector, 10,000 will have been laid off in 2008, 1,500 of whom worked for factories that have closed. The Mexican Association of Auto Distributors reports that ten auto dealerships will have closed in 2008, and 40 more are expected to close in 2009. In November, sales of new cars dropped by 19.6%. Auto producers are negotiating with the government for \$3 billion in assistance to promote sales. Several GM and Ford plants have shut down operations for at least a month.

* Argentina: Auto production dropped 24% in November, and producers are trying to get unions to accept a six-month wage freeze. Forced "vacations," plant shutdowns, and layoffs of personnel have begun.

Western European News Digest

German President: Protect People, Production

Security Expert Sees Foreign Role in Greek Riots

LaRouche: Without Tremonti, Berlusconi Is Finished

Pope Calls for World Financial Reform, Mideast Peace

LaRouche Accused as Inspiring German Anti-Video-Game Declaration

Britain's Collapse To Accelerate in New Year

France: Green Senator Visits Black Bloc's Coup

In Gore They Trust

German President: Protect People, Production

Dec. 24 (EIRNS)—In his traditional Christmas message, German President Horst Köhler supported "decisive state intervention to protect firms, jobs, and incomes of people." He also called for "better cooperation between nations" and "a better order of economics and finance, in which capital serves everybody."

"We are all concerned about the worldwide financial crisis with its repercussions," he said. "Unimaginable amounts of money have been lost in gambling. Many fear for their savings. And many fear for their job. It is right that the state act decisively, to protect the firms, jobs, and incomes of people. We shall have to work hard. But I am optimistic that we can master this challenge. Why? I think our country, its people, and politics have reacted wisely and with calm. In my view, we can build on this foundation in the future as well."

"I consider this crisis also to be an opportunity. An opportunity for better cooperation among nations. An opportunity for a better order of economics and finance, in which capital serves everybody and nobody needs to feel dominated by it. When we work to this effect, the crisis shall make us stronger."

"Everybody has to act accordingly; those who have responsibility have to be accountable. We need to be mindful of the common good."

Security Expert Sees Foreign Role in Greek Riots

PARIS, Dec. 22 (EIRNS)—In an interview with the *Polish Times* of Dec. 11, Ionannis Michaletos, a former naval officer and security expert at the Research Institute for European and American Studies and editor of *South East Europe* at the World Security Network Foundation, says foreign intelligence services, including private intelligence firms, have a hand in the riots destabilizing Greece.

In addition to Greek radicals, he said, support comes from "European networks" in Italy, France, and Spain, with "other elements based in Germany and the U.K. "My rough estimation," said Michaletos, "is that no operation and preparation could have been implemented if some international officers were not involved."

LaRouche: Without Tremonti, Berlusconi Is Finished

Dec. 26 (EIRNS)—Upon learning of the pressure being brought to bear against Italian Prime Minister Silvio Berlusconi to remove Economics Minister Giulio Tremonti from the government, Lyndon LaRouche stated, "If Berlusconi bows to the pressure and replaces Tremonti, his government is finished."

The source of the pressure on Berlusconi is the rage from the monetarist faction, led by Bank of Italy Governor and Financial Stability Forum (FSF) chairman Mario Draghi, and represented by individuals such as Francesco Giavazzi, who on Dec. 23 used his column in the daily *Corriere della Sera* to call on Berlusconi to make a decision regarding Tremonti.

This faction sees Tremonti, along with LaRouche and French President Nicolas Sarkozy, as a point of reference for the international forces that are challenging the power of the Anglo-Dutch Liberal oligarchy, and proposing a new, Franklin Roosevelt-style economic system. The most recent incident of this clash occurred during the week before Christmas, when in Strasbourg, France, at the European Parliament, LaRouche denounced the insane policy of the central bankers, who hope to save the bankrupt system at all costs. Two days later, from Paris, Tremonti called it mad to listen to those who, like Draghi and the FSF, haven't understood anything about the crisis.

Pope Calls for World Financial Reform, Mideast Peace

Jan. 1 (EIRNS)—In his first homily in 2009, Pope Benedict called on all governments to reform the world financial system in a far-reaching way, stressing that short-term rescue efforts are not sufficient. The crisis "demands an intervention at its root," he said. In his New Year's Eve mass he had called for "sobriety and solidarity" in dealing with the crisis, saying that especially the poorest families should receive help.

On the situation in Israel and Gaza, Benedict called for "peace for the world," calling for concrete solutions to end the escalation of violence. Earlier, in an interview with Radio Vaticana, press secretary Fr. Federico Lombardi hinted that the Pope may cancel his trip to the Holy Land, planned for May 2009.

LaRouche Accused as Inspiring German Anti-Video-Game Declaration

Dec. 26 (EIRNS)—The violent video-game lobby is upset that Lyndon and Helga LaRouche have inspired a group of German citizens to call for the banning of violent video games, in a statement called the "Cologne Declaration." The magazine *Escapist* writes that the declaration's "linking of gaming to the 'military-industrial-media complex' resembles the views held by Lyndon LaRouche...."

The "Declaration," which calls video games "landmines for the soul," came in response to the German Cultural Council, an umbrella organization which granted membership to GAME, the organization of video-game developers. The chairman of GAME said the membership was a "milestone ... the first time an association of the game industry was incorporated as an institution of cultural politics."

Britain's Collapse To Accelerate in New Year

Dec. 27 (EIRNS)—The new year promises to take the British economy to new lows, according to myriad sources reported in the British press at year's end. The British economy could shrink by 5-10% in 2009, according to the Centre for Economics and Business Research. This follows a warning by the Office for National Statistics, which announced that Gross Domestic Product contracted by 0.6% in the third quarter. Capital Economics and Bank of America have predicted that the economy will shrink next year by the biggest amount since 1947—one of the worst recessions Britain has ever experienced.

The *Independent* reports that banks face another credit crunch in 2009, and the *Guardian* reports a poll stating that nine out of ten shoppers will be buying less next year. Meanwhile, one-quarter of the 800 Woolworth stores will close today. If a last minute-buyer is not found, the company will close down by Jan. 5, throwing 27,000 people out of work. Other retailers are going into receivership, including the entertainment chain Zavvi.

France: Green Senator Visits Black Bloc's Coup

PARIS, Jan. 2 (EIRNS)—There is a lot of "green" behind the Black Bloc rioters in France, as *EIR* has reported. Former French Green Presidential candidate Dominique Voynet, currently a senator and Mayor of Montreuil, made a short visit on Dec. 21 to Julien Coupat, the young philosopher thought to be the brains behind the sabotage actions against the French TGV high-speed trains in early November, and close to the international Black Bloc "autonomous" rioters. Voynet deplored Coupat's jailing, terming it senseless, and the bad conditions of French prisoners in general.

In Gore They Trust

Jan. 1 (EIRNS)—Reuters reported on Dec. 30 that the Church of England has decided to invest £150 million sterling with Al Gore's Generation Investment Management, the London-based hedge fund that Gore founded with former Goldman

Russia and the CIS News Digest

Soros Watch: Fishing in Ukraine's Troubled Waters

Gazprom Cuts Gas to Ukraine

Russian Economy in Downspin

Internal Affairs Officer Assassinated in Dagestan

Soros Watch: Fishing in Ukraine's Troubled Waters

Dec. 30 (EIRNS)—George Soros, the megaspeculator and political manipulator on behalf of British imperial geopolitics, is suddenly the talk of the town in Kiev. The office of President Victor Yushchenko is blaming the financier speculator for having "engineered an assault on the Ukrainian hryvnia," through his advice to Prime Minister Yulia Tymoshenko during meetings earlier this month. Yushchenko's spokesman Victor Baloha accused Tymoshenko of speculating on the Ukrainian currency, linking its plunge to her meeting with Soros on Dec. 12. Tymoshenko has acknowledged the meeting, saying that her government is taking advice from Soros, with that advice being "implemented in the form of laws and government resolutions; they are public and you may study them."

Nothing said by Ukrainian politicians in the context of this scandal can be taken at face value, since former Orange Revolution allies Yushchenko and Tymoshenko are locked in a power struggle, with Presidential elections slated for this year. This past Autumn, Tymoshenko broke her party's alliance with Yushchenko in the Supreme Rada (Parliament), and formed one with the Party of the Regions of Victor Yanukovych. She has also shifted from her previous posture of "Containing Russia" (the title of her article last year in the New York Council on Foreign Relations journal *Foreign Affairs*), to promoting Russian-Ukrainian reconciliation as comparable to the rapprochement of France and Germany after World War II.

As of Dec. 1, the Ukrainian hryvnia had collapsed by 38% against the dollar. Ukraine's industry had fallen by 19.8% year-on-year in October. Steel, which accounts for 40% of the country's export revenue and 25% of industrial output (90% of Ukraine's steel was exported, according to the Economist Intelligence Unit), is being shut down. Remittances from Ukrainian guest workers in Russia and Europe, which are as much a mainstay of the economy in western Ukraine as steel has been in the eastern part of the country, have collapsed.

In November, Ukraine signed for a \$16.4 billion loan package from the International Monetary Fund, negotiated on the same October weekend as the IMF/European Central Bank multi-billion bailout for Hungary. The London Economist Intelligence Unit writes, in a Dec. 1 commentary, that the IMF now has "a major say in policy decisions" in Ukraine.

On Nov. 19, the Ukrainian government approved a decree that empowered Vice Premier Grigori Nemyre to sign an agreement with Peter Peterson's Blackstone Group International, Ltd., to advise Ukraine on how to spend the IMF money. The other company hired by the Supreme Rada is Credit Suisse. According to the ProUA website, these companies were proposed by First Vice Premier Alexander Turchinov and VNemyre. Ukrainian press reports note that Ukraine was required to hire such advisors, as part of the agreement with the IMF. George Soros is part owner of the Blackstone Group, and it is evidently in this context that he met with Tymoshenko.

Gazprom Cuts Gas to Ukraine

Jan. 1 (EIRNS)—Russia's Gazprom natural gas monopoly announced the cutoff of natural gas deliveries to Ukraine, last-minute negotiations having failed to end a dispute over back payments and price increases. The negotiations were complicated by the political rift between former Orange Revolution allies, President Victor Yushchenko and Prime Minister Yulia Tymoshenko, into which the IMF inserted George Soros and the Blackstone group as financial consultants. Both sides initially said there was no immediate danger of gas shortages, because of Ukraine's stockpiling over the last year, but the prospect of reduced flow to Western European customers of Gazprom loomed. The gas-price dispute both reflects and represents the crisis facing Russia and Ukraine in the context of the global financial disintegration.

Russian Economy in Downspin

Jan. 4 (EIRNS)—November statistics, released at the close of 2008, provided some parameters of the economic collapse which took Russian leaders by surprise, for reasons given in Lyndon LaRouche's lead article in this issue of EIR Online ("How Russia Was Surprised"). Russian industrial production collapsed 8.7% in November 2008 from its level one year earlier, in the largest decline since the 1998 short-term government bond (GKO) crisis, when Russia defaulted and the ruble was hugely devalued.

When November 2008 is compared to November a year earlier, Russia's manufacturing production fell 10.3%; steel pipe production fell 36.9%; coking coal production dropped 38.7%; and fertilizer production fell 51.6%.

The ruble has declined to a level of about 29 to the dollar, a dollar which itself is wobbly.

Meanwhile, during November, as employers find internal cash reserves shrinking, and borrowing from banks more difficult, the level of wage arrears jumped by 93%.

Internal Affairs Officer Assassinated in Dagestan

Dec. 30 (EIRNS)—Dagestan, in the Russian North Caucasus, was destabilized with the Dec. 29 assassination of Gen. Maj. Valeri Lipinsky, deputy commander of Russian Internal Forces in that area. His car was attacked, and his wife and a friend were wounded by gunfire. Lipinsky was formerly in charge of special operations against insurgents in the Russian North Caucasus.

Southwest Asia News Digest

Israel, Not Hamas, Broke the Cease-Fire

Turkey, Egypt Working for Gaza/Israel Ceasefire

Israeli Peace Activist Warned Against Ground Offensive

Specter Promotes Diplomatic Solutions in Israel and Syria

Israel, Not Hamas, Broke the Cease-Fire

Dec. 31 (EIRNS)—"The Israeli side, in reality, broke the truce," said Mustafa Barghouti, an independent lawmaker in the West Bank city of Ramallah, when interviewed on NPR's "Morning Edition" today. Barghouti recounted that, after the fourth month of the six-month cease fire, the Israeli Defense Forces started to strike Gaza, including carrying out assassinations in both Gaza and the West Bank, even though "we warned this would provoke a reaction." Barghouti said that Israeli Defense Minister Ehud Barak "orchestrated and planned this situation. He kept attacking Gaza until he got the reaction, and then he claimed he was attacking Gaza *because* he got the reaction."

Barghouti also said the Israeli attacks are not weakening Hamas, but are strengthening it, and he said that the current situation is the result to the two years' siege of Gaza, in which food and medical supplies were cut off.

On Dec. 27, an *EIR* collaborator in the Arab world said that the real story behind the Israeli assault, is the "strangulation of Gaza" during the entirety of the "calm," or ceasefire that formally ended on Dec. 19. Since the "calm" was negotiated in June 2008, there have been 153 Israeli incursions either by air or ground into Gaza—and some of them have been fairly large, including the killing of 52 Palestinians in one attack. There has also been the total closing of border crossings, cutting off food, medicine, fuel—everything that is needed for daily survival, he said. The Palestinians went to Cairo about three months ago, to say that such a "ceasefire" was a sham, and could not be accepted, and the Egyptian mediators told that to the Israelis. But Israel's response was to say that a "ceasefire" has nothing to do with border crossings, and they were not obligated to open up the borders for Hamas.

Turkey, Egypt Working for Gaza/Israel Ceasefire

Jan. 3 (EIRNS)—Just prior to the Israeli ground invasion of Gaza, Turkish Prime Minister Recep Tayyip Erdogan was in Saudi Arabia today, on the final leg of his regional tour to organize a ceasefire and truce between Israel and Hamas. He was to meet Saudi King Abdullah and Palestinian President Mahmoud Abbas.

He had already traveled to Syria where he met with President Bashar Assad. His chief foreign policy advisor Ahmet Davutoglu met with Hamas leader Khaled Mashaal in Syria. Erdogan then went to Jordan, and had been in Egypt meeting President Hosni Mubarak.

Egyptian Foreign Minister Aboul Gheit told the press that Egypt is calling for a ceasefire and a return to a Hamas-Israel truce and an international mechanism for opening the Gaza border crossing. Such a mechanism could include international forces, or Arab forces, or just observers. Egypt is demanding that the Palestinian National Authority, not Hamas, supervise the crossing. The PNA was removed from supervision of the crossing following the fighting between Hamas and Fatah earlier last year.

Israeli Peace Activist Warned Against Ground Offensive

Jan. 2 (EIRNS)—A leading Israeli peace activist told *EIR* on Jan. 2, just prior to the Israeli ground offensive, that such a ground assault would become one of the darkest days in the history of Israel.

In a telephone discussion from Israel, Naftali Raz, a member of the pro-peace Meretz party, told *EIR*, "It is a dark day." He said he feared that within 24 hours, Israel would decide to launch a ground assault on Gaza, which will be the "worst decision in its history," and lead to thousands of Palestinian deaths and hundreds of Israeli. According to Raz, Hamas is banking on an Israeli ground assault, and has already prepared for it, and would strategically benefit from the catastrophe.

A similar scenario occurred in March 2002, when a suicide bombing was used as a pretext for then-Prime Minister Ariel

Sharon to launch "Operation Defensive Shield," which had been in preparation for months.

Although he said he supported the initial Israeli attack, because of the Hamas missile strikes, Raz said the Israeli attacks should have ended after the first or second day. The only way out, Raz said, was an immediate ceasefire, even a unilateral one, and a return to the negotiating table.

Raz said his views are shared by some very senior retired military officers who have been speaking out in the media. One of the most outspoken is Gen. Amram Mitzner (ret.), former chairman of the Labor Party, who was interviewed on national radio calling for an immediate ceasefire, and who spoke against a ground assault. Other retired generals who have made similar statements include Amos Lapidot, former chief of the Israeli Air Force; Shlomi Gazit, former head of military intelligence; and Ben Ami Gov, a winner of the Israeli prize for national security. In addition, three well-known authors—David Grossman, Amos Oz, and A.B. Joshua—have been speaking out against the war.

While the latest poll shows that 82% of Israelis support the Gaza operation, a group called The Other Voice, based in Sederot, which is the Israeli city that has suffered the greatest number of rocket attacks from Gaza, has called for a ceasefire and co-existence between Israelis and Palestinians.

Specter Promotes Diplomatic Solutions in Israel and Syria

Dec. 31 (EIRNS)—U.S. Sen. Arlen Specter (R-Pa.) has been in Israel and Syria, where he held discussions on Syrian-Israeli peace talks. On Dec. 28, he met with Israeli Prime Minister Ehud Olmert, and on Dec. 29 he met Syrian President Bashar Assad, to whom he delivered a message from Olmert. Specter has been active in promoting better U.S.-Syrian relations as well as Syrian-Israeli peace efforts. He has travelled often to both countries.

"I believe the efforts to isolate Syria have not been successful," Specter is quoted as saying in the *Jerusalem Post*. "We ought to try to change things. President Clinton tried to do a good job in 1995 and 2000, and I think it ought to be pursued." He said that "there could be a great deal to be gained" if an agreement with Syria were reached. Specter said he thought "it would be very difficult" to draw Syria out of Iran's orbit, because the ties go back "a long way." But, he said, "it is an evolving picture, and interests change. I think Syria would definitely like a closer relationship with the U.S. I have always been an advocate of diplomacy."

On Iran, he called for the U.S. to hold talks. "I think the dialogue ought to last however long the dialogue needs to last," he said. "I would hope that it would last and be successful, and lead to diplomatic relations, and peaceful terms, and to a new Iranian president who doesn't want to wipe Israel off the face of the earth; that's what I would like."

As to whether the Iranians would use the talks as a cover to move their nuclear program forward, Specter said, "They are going to move that forward whether we like it or not." Specter said that it needed to be communicated to the Iranians "in unmistakable terms that it is unacceptable for them to have a nuclear weapon, but I don't think we are well advised to say anything beyond that. No threats, no implied threats, just that it is unacceptable."

Asia News Digest

NATO's Main Supply Route in Afghanistan Closed

U.S., NATO To Expand War on Terror to Pakistan's Tribal Areas

China Takes Measures on Migrant Unemployment Crisis

India and South Korea to Build Myanmar-to-China Gas Pipeline

Will the UN Turn Against the British on Myanmar?

NATO's Main Supply Route in Afghanistan Closed

Dec. 30 (EIRNS)—In a development which could become a major crisis as President Barack Obama prepares to take over responsibility of Afghanistan War, the northern supply line that passes through the Khyber Pass connecting Peshawar in Pakistan's North West Frontier Province (NWFP) to Torkham in Afghanistan—the southern route now goes through Chaman in Baluchistan—has been closed, as the Pakistani Army battles the insurgents who are now regularly disrupting the long supply line starting at the Port of Karachi. The northern route will be opened when the Pakistani Army clears the insurgents, Islamabad said.

Washington is planning to bring in another 30,000 troops to Afghanistan, raising the total to about 97,000. Meanwhile, the supply line, which starts at the Port of Karachi, about 1,200 km from the Khyber Pass, is coming under increasing attack from insurgent groups who are battling the Pakistani Army inside Pakistan. Reports indicate that the Pakistani Taliban are now organizing to hit the supply line at the Port of Karachi itself.

As a result of these developments, Washington has now opened talks with the Central Asian nations to allow a land access to Afghanistan, an unnamed U.S. official told AFP. Such a supply line has to travel through Turkmenistan, Uzbekistan to enter northern Afghanistan. This would obviously entail getting approval of the Russians.

U.S., NATO To Expand War on Terror to Pakistan's Tribal Areas

Jan. 2 (EIRNS)—In what could be a major expansion of foreign troops in the Indian Subcontinent, there are reports that the U.S. and NATO are negotiating with Pakistani authorities to include Pakistan's Federally Administered Tribal Areas (FATA), bordering Afghanistan, in its war on terror. The war on terror was launched by Washington in the Winter of 2001 against Taliban-ruled Afghanistan.

Reports indicate Pakistan's Chief of Armed Services Gen. Ashfaq Kiyani's visit to Kabul on today may lead to an agreement to such a proposal. Gen. Ashfaq Pervez Kiyani will be meeting his Afghan counterpart, Gen. Bismillah Khan; Gen. David D. McKiernan, the American chief of NATO's International Security Assistance Force in Afghanistan; and other military officials. Ostensibly, the subject of discussion will be U.S. Centcom chief Gen. David Petraeus' proposal to add four U.S. combat brigades in 2009.

Last September, Chairman of the U.S. Joint Chiefs of Staff Adm. Mike Mullen underlined this new strategy at a Congressional hearing in Washington. The revised strategy called for Afghanistan to include militants' safe havens in Pakistan in its area of concern. Mullen had indicated that the U.S. and NATO already had an understanding with Pakistan on implementing this strategy.

In Lahore, Pakistan, Anatol Leiven, Professor of War Studies at Kings College, U.K., told the Pakistani daily *The News*, that the Obama Administration may try to extend the war on terror from Afghanistan to the tribal regions of Pakistan. "Any major terrorist incident with al-Qaeda footprints in the U.S. might result in the U.S. strikes and ground invasion of the FATA," the *News* quoted Leiven's press release saying.

China Takes Measures on Migrant Unemployment Crisis

Dec. 28 (EIRNS)—China held a two-day "rural work" conference focussed on the rapid increase in unemployment among migrant workers who have flooded into the export zones, but are heading home as their factories close. While the conference pledged to maintain stable rural agricultural development and increases in farmer income, Xinhua reported that the meeting mandated that "infrastructure construction projects in both urban and rural areas should employ as many migrant rural workers as possible in 2009," and that additional public works jobs should be provided to migrants. They also announced credit extensions, tax breaks, and government consulting advice for jobless migrants who start their own businesses.

India and South Korea to Build Myanmar-to-China Gas Pipeline

Dec. 29 (EIRNS)—Myanmar has signed a deal with a consortium of four Indian and South Korean firms, to pipe natural gas into China, according to the *New Light of Myanmar*. This 30-year deal exemplifies the mounting economic cooperation between Myanmar and its neighbors, and the failure of the British campaign to keep Myanmar in chaos and backwardness, to facilitate drug-runners control over the country. It is of note that the U.S., since Cyclone Nargis last May, has effectively broken from the British, and cooperated with the UN and ASEAN in providing some aid to Myanmar.

South Korea's Daewoo and Korea Gas Corporation, and India's ONGC Videsh and GAIL, developed the gas field, and will build the pipeline from the offshore Shwe reserves in southwest Myanmar, with Daewoo owning 51% of the project. The conflict between China and India over who would get the gas from the region was won by China, but India's participation in the pipeline goes against the British efforts to aggravate China-India tensions over the project.

Will the UN Turn Against the British on Myanmar?

Dec. 29 (EIRNS)—The UN special envoy to Myanmar, Ibrahim Gambari, in an interview with the *Washington Post*, declared the British effort to isolate and impoverish Myanmar through sanctions and threats of military action to be a total failure; he also called for "financial incentives" to Myanmar as a precondition for any easing up on Aung San Suu Kyi, the British-trained opposition leader, who has been held under house arrest for most of the last 19 years.

According to the *Post* leak by Colum Lynch and Michael Abromowitz, "Gambari outlined his strategy in a confidential paper he presented last month to UN Secretary General Ban Ki-moon. In it, according to senior UN officials who have seen the document, Gambari endorses building on the relations Burma [Myanmar] established with the outside world after Cyclone Nargis struck the country in May. He also calls for an increase in development assistance to Burma and proposes that wealthy countries expand the nation's access to foreign investment, the officials added."

One UN official told the *Post*: "What we need is for the U.S. and the U.K. to be softer and for the Chinese and the Indians to be harder." Suu Kyi, seeing the direction Gambari and the UN were moving, refused to meet with Gambari when he last visited Myanmar.

Myanmar was a test case for the "humanitarian military intervention" now being demanded by London against Zimbabwe. The Brits wanted to send in the military after the cyclone in May, claiming that the military junta was refusing to aid the victims and would steal any aid provided from the West. Their gambit failed when the U.S. military refused to play along, and delivered tons of aid directly to the junta. This facilitated a three-way deal among Myanmar, the UN, and ASEAN to coordinate aid, which was highly successful.

Although then-Senators Barack Obama, Hillary Clinton, and Joe Biden have sponsored sanctions legislation against

Myanmar in the past, all three have made clear that they reject the neocon refusal to talk and negotiate with leaders on George Bush's enemies list, and want to work with China and India on the problems in Myanmar.

Africa News Digest

London to Obama: Zimbabwe Is Our Affair

Will Somalia Become Another Afghanistan as Ethiopian Troops Pull Out?

London to Obama: Zimbabwe Is Our Affair

Jan. 2 (EIRNS)—The *Times* of London today carried an article by columnist Martin Fletcher, which claims that the situation in Zimbabwe is so bad, that the only solution is to have a multinational military force invade the country, to depose President Robert Mugabe. The *Times* is taking the lead in a campaign to blame the country's problems on Mugabe, and not on the nine years of economic warfare which have wrecked the country which once had the highest cultural levels in Africa.

While the *Times* has to admit that the probability of such a development is remote, the purpose of this psychological warfare campaign is to create an environment which will keep the incoming Obama Administration from joining other leaders from southern Africa, to defend the sovereignty of Zimbabwe.

The *Times* attacks the African Union and former South African President Thabo Mbeki, as well as South Africa under its present leadership, for not going along with the plan to wreck Zimbabwe, while claiming that the Mugabe government "like a tree hollowed out by termites, is just waiting to be toppled."

Meanwhile, Mugabe and Arthur Mutambara, who heads another opposition party, have urged the leader of the MDC opposition party, Morgan Tsvangirai, to return to Zimbabwe to get on with the business of setting up the government, of which he, Tsvangirai, has been designated to be prime minister. The three political parties had agreed on Sept. 15, 2008 to form a government. His refusal to participate in the government, which he agreed to do during negotiations led by Mbeki, is now being used as the pretext for more economic warfare against Zimbabwe by members of the London-led Commonwealth and the Bush Administration. Tsvangirai has remained in neighboring Botswana.

The Bush Administration announced Dec. 21 that it would not support Zimbabwe, even if a unity government were formed, as long as Mugabe remained President. Timed with this announcement, the U.K. and Australia stated that they were increasing their economic warfare campaign against Zimbabwe. Tsvangirai took these developments as a signal from the Western nations not to join the unity government.

Will Somalia Become Another Afghanistan as Ethiopian Troops Pull Out?

Jan. 3 (EIRNS)—Ethiopia has begun pulling its troops out of Somalia, after a two-year presence there. The Western press is now predicting more chaos and conflict in what they describe as "the vacuum" left by the departure of Ethiopian troops. Ethiopian troops went into Somalia as part of a London-designed Global War on Terror policy.

Instead of introducing order in Somalia, the Ethiopian presence provided the pretext for the development of an anti-Ethiopian radical jihadist movement, Shabab, in Somalia. Shabab is alleged to have al-Qaeda connections.

Some moderate Islamic forces in Somalia hope that, after an initial conflict among Islamic groups, the departure of the Ethiopians could lead to the emergence of a moderate grouping which could begin building a government in Somalia. The country has not had a government since it was abandoned by the West in 1991, not long after the end of the "Cold War."

However, the Anglo-Dutch financier cartel intends to turn Somalia into another Afghanistan, which will minimally be able to threaten surrounding countries. The British-organized influence on Shabab, and the moderates, will make possible the level of permanent conflict necessary for Somalia to become another Afghanistan. Already, Shabab has called the various "moderate" factions agents of Ethiopia.

On Dec. 30, Sudan President Omar Hassan al-Bashir, in reference to the piracy being run out of Somalia, said that the mobilization of naval fleets along the Somali coast would complicate the situation in Somalia and the region as a whole. He said that an international military presence will be a threat to the stability of the region, and that "the elimination of the phenomenon of piracy depends on resolving the Somali problem and reaching a lasting peace and stability there."

Since June, the UN Security Council has adopted four resolutions calling on all countries to take part in patrolling the Gulf and waters off Somalia. The latest UN authorization allowed countries to "undertake all necessary measures in Somalia, including in its airspace" to stop the pirates.

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