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## **This Week You Need To Know**

# **Soaring Commodity Prices Show Threat to Dollar System**

**by Lothar Komp**

More than three decades after President Nixon dismantled the Bretton Woods monetary order, global financial markets are in an untenable situation. At the heart of the issue is the U.S. dollar, still the most important reserve currency in the world. The dollar is the currency upon which the interest rates of hundreds of billions of dollars worth of loans, mortgage credits, and financial derivatives are pegged, and with which practically all raw material purchases are transacted.

The transformation of the United States from a prominent industrial nation, into a consumer society dependent on foreign manufacturers, has triggered an unprecedented flood of U.S. currency into Asian central banks. As a result of the enormous quantities of American debt holdings which accumulated in foreign countries, by virtue of export surpluses and foreign exchange market interventions abroad, merely a press release expressing market fears, by an official in Japan, South Korea, or China, is enough to make the dollar's tumble continue.

Additional turbulence results from the highly inflationary blow-up in the raw materials markets. Over the course of time, these markets have fallen almost completely under the control of private, speculative interests. As a result of central banks pumping liquidity into the financial system, and the control of raw commodity prices by futures exchanges in London and New York, the prices for a wide spectrum of raw materials—from crude oil to copper and iron ore—have been forced to stratospheric levels.

On March 8, the Reuters CRB index (Commodity Research Bureau), which covers 17 of the most important raw materials, stood at its highest level in more than 24 years. In February alone, the index rose around 7.1%, more than in any other month in the last 21 years. The copper prices at the London Metal Exchange (LME) shot to a 19-year high on March 8. On the same day, the price of oil, which only six years ago stood at \$10 per barrel, again broke through \$55-mark. Simultaneously, the currencies of raw-materials-rich countries, such as Australia, Canada, and South Africa, rose to several-year highs in relation to the U.S. dollar. A good measure of the disintegration of dollar's worth is the price of gold, which on March 8 rose \$6, to \$440 per fine ounce. Two days later, the former Australian Prime Minister Paul Keating warned of preparing for a "catastrophic crash" of the dollar and the outbreak of a "panic."

The disintegration of the global financial system has already progressed too far for any quick fix to correct it. The only solution exists in the New Bretton Woods, which would not only re-establish currency regulations, as demanded by LaRouche, but in addition, introduce bankruptcy procedures for existing financial commitments, and align financial markets in accordance with the principle of the general welfare. The longer this one promising solution is postponed, the larger the damage to the economies of the world. As a result of the effects of the raw materials price hikes this now becomes clear. - Commodity Prices Explode -

The steel industry worldwide is groaning under the load of the prices for iron ore, coking coal, and scrap iron, each of

which have risen dramatically. The delivery prices for coking coal quadrupled in the last two years. Formerly prominent coke producers, such as Germany, recently eliminated their own capacities, because the steel enterprises believed they could supply themselves in the future with cheaper imported coal. There is no actual physical scarcity of iron ore. The well-known ore sites in Australia, South Africa, Latin America, and Russia are enormous and have sufficient supply to last for many decades. However, already in the last year the ore prices rose significantly. On Feb. 23, the two controlling iron ore producers—the Brazilian Companhia Vale DO Rio Doce (CVRD) and the British-Australian group of mining industries of Rio Tinto—delivered a shock with the announcement of a 71.5% price increase for their ore supplies to the large steel enterprises of Japan, South Korea, and China. The steel companies were forced to accept the hike. These agreements serve as a guide for all future contracts over ore supplies worldwide.

This year, steel enterprises will be forced to raise their prices again by approximately 50%. Again, the automobile sector and many other industrial sectors, including machine-tool production, are under pressure. As a result, the Federal Association of German industry (BDI) organized a raw materials crisis summit in Berlin on March 8. Hundreds of thousands of industrial-sector jobs are at stake. Even the German Chancellor, Gerhard Schröder, showed up at the event, but could offer no convincing solutions.

Several other raw materials besides iron ore are urgently needed by the physical economy, but like iron ore, these worldwide resources, in each case, are controlled by a small group of powerful trusts. Approximately ten years ago, *EIR* published an investigation, which revealed that more than 50% of the production of nearly all raw materials was in the hand of enterprises, all of whom had settled in the territory of the former British Empire. Since then, only a few have changed. The three largest mining industry companies in the world today are: the British-South African group of Anglo-American, the British-Australian BHP Billiton, and the British-Australian Rio Tinto. All three enterprises have dozens of holdings in an assortment of mining industry projects around the globe. Rio Tinto, for example, is the second-largest producer of iron ore and coal, the third-biggest uranium and diamond producer, the fourth-largest copper producer, and the sixth-largest manufacturer of aluminum in the world.

Anglo American, which was founded by the Oppenheimer family of South African in 1917, first specialized in the production of gold, platinum, diamonds, and copper in southern Africa. However, since the mid-1990s, Anglo American has additionally expanded outside of Africa, and currently maintains, among other things, nickel and zinc mining in Venezuela, copper mining in Chile, and coal mines in Colombia. In 2001, Anglo American, together with the Oppenheimer family, seized the majority stockholdings (60%) in the diamond company De Beers.

In the same year, the Australian mining industry group, BHP, purchased the British firm Billiton. Today, the worldwide activities of BHP Billiton cover the following raw material sectors: copper in Argentina, Peru, Chile, and the U.S.A.; aluminum in South Africa, Mozambique, Surinam, and Australia; gold in Argentina; lead in Australia, Canada, and South Africa; coal in Colombia, the U.S.A., Australia, Indonesia, and South Africa; nickel in Colombia, Indonesia, and Australia; iron ore in Australia and Brazil; bauxite in Australia, Brazil, and Surinam; manganese in Australia and South Africa; chrome in South Africa; diamonds in Canada; cobalt in Australia and Colombia; zinc in Australia, Canada, and South Africa. On March 7, BHP Billiton issued a takeover bid for the Australian mining industry enterprise WMC Resources. WMC controls enormous reserves of raw materials in the Olympic Dam mine. It is common knowledge that this mine contains a third of the world's uranium reserves. In addition, WMC owned the fourth-largest reserves of copper and gold, and is the fifth-largest nickel producer worldwide.

Control of the physical production of raw materials by a small number of private financial conglomerates is a troubling development. However, raising of the price of industrial consumption to excessively high levels, requires another element: the creation of futures exchanges, with which banks, speculative funds, and other financial investors determine the price of commodities in a very obscure manner. For example, the price of two-thirds of the world's available crude oil is determined by the speculative bets placed on the International Petroleum Exchange in London, and a handful of other so-called spot markets whose activities make entirely no sense to outsiders. The only oil, which comes in the proximity of the so-called

market, is the British North Sea oil, Brent Crude. And because British North Sea oil is on the decline, the volume it delivers amounts only to an extremely small portion of total worldwide oil production. - Governments Must Act -

As long as private financial interests can arbitrarily manipulate the prices for industrial raw materials of all kinds, the long-term development of national economies remains threatened in a fundamental way. This applies particularly to densely populated countries such as China and India, with their potentially enormous demand for industrial goods. China has long been the largest steel producer of the world, and currently consumes a third of worldwide iron ore production. But the per-capita consumption of steel in China amounts to only 200 kilograms per year, compared with 600 kg in Japan and 1,000 kg in South Korea.

No less important is long-term raw-material security for advanced industrialized countries such as Germany.

In his published 50-year-plan for the development of the planet, and through an *EIR* seminar in Berlin in mid-January, Lyndon LaRouche stressed that governments must use their power, in order to prevent control of raw materials by private financial interests: "Therefore, we need an agreement between nations, which states that it is in the interest of the whole Earth, with regard to the use of our natural resources, that the needs of the general welfare come before those of private interest. Private interests are permitted, but must be subject to regulations. These regulations must guarantee that each country receives sufficient access to raw materials, which are necessary for its people and their development."

## InDepth Coverage

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## Strategic Analysis:

### **[World on the Verge Of a Dollar Crash](#)**

**[by Jeffrey Steinberg](#)**

Lyndon LaRouche announced on March 9, based on a breaking pattern of developments, that, in his judgment, the world is now on the verge of a collapse of the entire dollar-based post-Bretton Woods floating-exchange-rate system. This does not guarantee the immediate crash of the dollar, and the evaporation of the entire global financial superstructure. It does mean that governments around the world, particularly the United States government, must be prepared to act, to avert an otherwise inescapable crisis at some point in the very near future.

## Economics:

## Soaring Commodity Prices Show Threat to Dollar System

by Lothar Komp

More than three decades after President Nixon dismantled the Bretton Woods monetary order, global financial markets are in an untenable situation. At the heart of the issue is the U.S. dollar, still the most important reserve currency in the world. The dollar is the currency upon which the interest rates of hundreds of billions of dollars worth of loans, mortgage credits, and financial derivatives are pegged, and with which practically all raw material purchases are transacted.

## Economy and Ideas

by Lyndon H. LaRouche, Jr.

*The following is the foreword to the forthcoming book The Earth's Next Fifty Years, to be issued by LaRouche PAC.*

February 28, 2005

The Spring 2000 collapse of Alan Greenspan's 'IT' financial derivatives bubble of the 1990s, set the stage for the immediate onset of what has been the George W. Bush Administration's accelerating, 2001-2005, general economic breakdown-crisis of the world's monetary-financial system. This breakdown is not something which might happen, or soon will happen. It has been happening already, that at an accelerating rate, every day President George W. Bush, Jr. has remained in office. The end will come when the Bush trolley soon reaches the end of the line.

## Italy Reps. Debate New Bretton Woods

The Italian Chamber of Deputies is scheduled to debate motion March 14 which calls on the Italian government to act 'to create a new financial architecture, aimed at avoiding future financial crashes and the repetition of speculative bubbles, and thus dedicated to the main objective of supporting the real economy.' The motion concludes by requesting 'the convocation of an international conference at the level of Heads of State and Government similar to that held in Bretton Woods in 1944, to create a new and more just global monetary and financial system.'

## GMAC Is a Big Soft Spot In Global Debt Bubble

by Paul Gallagher

General Motors Acceptance Corporation (GMAC)—the huge \$300 billion credit finance company, sitting at the valve between the overblown U.S. real estate bubble and the deflating auto sector—is facing big debt trouble in 2005/06. The trouble is driven by the falling dollar, rising interest rates, and falling auto sales. GMAC is far larger than all the other combined parts of its parent General Motors; its debt, at about \$260 billion, is bigger than that of any other American corporation except the huge government-sponsored Federal National Mortgage Agency (Fannie Mae), whose mortgage debt it invests in. During 2005, GMAC will be caught simultaneously in a shrinking real estate bubble, in the tar pit of falling global auto sales, and possibly in the unpaid obligations of General Motors' pension plan. GMAC could play a major part in a collapse of the dollar and dollar credit markets.

- Interview: Eugene Morey, Auto Leader:

- 'There's No Recovery Here At All'

Eugene Morey is President of United Auto Workers Local 849 in Ypsilanti, Mich. He represents employees of Visteon Corporation, the primary parts supplier for Ford Motor Company. He was interviewed by **Paul Gallagher** on March 7.

## LaRouche PAC Memorandum

### Fascist Chile Model of Pension Privatization

*LaRouche PAC on Feb. 7 issued this fact sheet, which is circulating on Capitol Hill and elsewhere.*

President George Bush has repeatedly cited Chile as his model for Social Security privatization. While in Chile last November, he called it a 'great example.' And in an April 2001 visit to the country, Bush said: 'I think some members of Congress could take some lessons from Chile, particularly when it comes to how to run our pension plans.' The architect of Chile's 1981 privatization was Harvard-trained Jose' Piñera, who was Chile's Labor and Social Security Minister from 1978-80, under the Pinochet military dictatorship (1973-90). Piñera today is co-chairman of the Cato Institute's Project on Social Security Choice, one of the ideological centers of the Bush assault.

## Change the Assumptions to Growth, And Social Security Is in Fine Shape

by Richard Freeman

In testimony before the House Ways and Means Committee on Feb. 8, U.S. Treasury Secretary **John Snow** engaged in a heated, sometimes acrimonious exchange with Rep. James McDermott (D-Wa.), a leading member of that committee: The meat of the exchange went as follows....

## **Can You See José?**

**by Dennis Small**

Not lately. José Piñera, the hatchetman for Chilean dictator Gen. Augusto Pinochet's 1981 pension privatization, and the guru of the Bush Administration's plan to do the same, was supposed to be on a non-stop speaking tour across the United States beginning mid-February, to help ram the idea down the throat of the United States. As co-chair of the Cato Institute's misnamed 'Project on Social Security Choice,' over recent years Piñera has been an ever-present face in Washington and capitals around the world, promoting his plans (and himself) at every opportunity.

## **India Puts Energy Security on Fast Track**

**by Ramtanu Maitra**

On March 5, Venezuela's President Hugo Chávez, who was on a four-day (March 4-7) visit to India, signed six agreements whereby India's state-owned Oil and Natural Gas Corporation (ONGC) Videsh Ltd will now hold a 49% stake in Venezuela's San Cristóbal oilfield, which can potentially produce 100,000 barrels a day. The Indian firm will partner with the Venezuelan state oil company Petróleos de Venezuela SA (PDVSA). The India-Venezuela oil deal is part of a series of oil and gas deals India has concluded in recent months to ensure the steady supply of oil and gas necessary to maintain a constant rate of economic growth in the future.

# **International:**

## **U.S. Administration's Lebanon Ploy Is Blowing Up In Its Face**

**by Nancy Spannaus**

On March 8, at the very moment that President Bush was delivering a speech at the National Defense University in Washington, D.C., praising the Lebanese opposition as yet another 'democratic force on the march,' between 500,000 and 1 million Lebanese were turning out in Beirut for an anti-American, pro-Syrian rally, called by the head of Hezbollah. That rally dwarfed, by orders of magnitude, any rally of the so-called anti-Syrian opposition, which suddenly surfaced on the streets of Beirut, following the assassination of former Lebanese Prime Minister Rafik Hariri last month.

## **U.S. Killing of Intelligence Official Shakes Italian-U.S. Relationship**

**by Claudio Celani**

The killing of an Italian intelligence official in Baghdad by U.S. military forces on March 4 is shaking relations between Italy and the United States in a way potentially more serious than the 1985 Achille Lauro crisis, or the 1998 Cermis tragedy, when a U.S. military aircraft caused the crash of a funicular, killing 20 civilians in northern Italy. The incident is revealing how U.S. military forces have lost control of the situation on the ground in Iraq, as U.S. troops are shooting at officials of allied military forces—in the best case, accidentally—as a result of an occupation policy which includes radical rules of engagement. It also includes Defense Secretary Donald Rumsfeld's 'reforms,' resulting in a de facto destruction of intelligence and communications capabilities among the various U.S. agencies.

- **Interview: Luigi Ramponi**

### **Italy Paid No Ransom To Kidnappers**

Regardless of the Italian version of the Calipari incident, on March 10 some neo-con and right-wing U.S. media published nasty attacks on the Italians, indicating that Rumsfeld's friends intend to run a coverup of what happened on March 4, to make the case that there is no reason to change any aspect of U.S. military occupation policies in Iraq. Leading the charge was the Wall Street Journal, which suggested that the Italians had paid a ransom for Sgrena's release, a 'policy of deliberately aiding terrorists.' The Journal also repeated the lie that the car was speeding up to the checkpoint.

## **Dirty-Money Scandal Points to Sharon, Mega**

**by Dean Andromidas**

On the morning of March 6, Israeli police raided Branch 535 of Bank Hapoalim, Israel's largest bank, and arrested 22 bank employees and top managers, in what Israeli police are calling the largest money-laundering case in the nation's history. Meanwhile, on the other side of town on March 6, police raided the offices of exiled Russian oligarch Vladimir Guzinsky, in search of incriminating evidence of money laundering. In addition, it was announced that the Israeli Ambassador to London, Zvi Hefetz, Guzinsky's former business partner, will be questioned about his possible role in the affair.

## Behind the Kelly/Wilson/Duggan Affair: Anatomy of a Defamation Campaign

by Jeffrey Steinberg

For the past 18 months, a trans-Atlantic network of 'friends of Dick Cheney and Tony Blair' has been waging a defamation campaign against leading Democratic Party figure Lyndon LaRouche. Since the first Bush-Cheney Inauguration in January 2001, LaRouche, one of the world's most renowned political economists of the American System school, and a 2004 candidate for the Democratic Party Presidential nomination, has been leading the effort to expose the follies of the Bush-Cheney Administration, which promotes perpetual imperial wars abroad, and the 'Hooverization' of the American economy at home.

## Discontinuity in Current World Affairs

by Maj. Gen. Vinod Saighal (ret.)

India's General Saighal delivered an abridged version of this presentation to EIR's seminar in Berlin on Jan. 12, which was published in our Feb. 11 issue. Here, he expands on his views on the 'discontinuity' in world strategic affairs—a point which Lyndon LaRouche took up in the seminar dialogue. LaRouche underlined the factor of mass insanity in producing discontinuities and revolutions. 'The government of the United States today, the present government, is a case of mass insanity. That's where the discontinuity lies,' LaRouche said. But the discontinuities themselves create the opportunity for revolutionary change of a positive nature. That is most urgently true, in the case of the United States today.

## Schröder Visits Arabian Peninsula

by Rainer Apel

In a Feb. 27-March 5 tour, German Chancellor Gerhard Schröder visited Saudi Arabia and six other states on the Arabian Peninsula, five of these—Kuwait, Qatar, Bahrain, Oman, and Yemen—for the first time. And although not explicitly proclaimed by the Chancellor and his entourage of 170 German business leaders, this tour not only served German economic interests, but also pursued policies of intensified cooperation, in stark contrast to the anti-Islamic, confrontation policy of the Bush Administration.

# National:

## John Bolton Will Push Preventive War at the UN

by Michele Steinberg

*John Bolton deserves 'any job he wants.'*

—Vice President Dick Cheney, quoted in the Los Angeles Times, March 8, 2004

For those people who were still clinging to the delusion that the second George W. Bush Administration would be a 'kinder, gentler' entity, the appointment of John Bolton to be the new U.S. ambassador to the United Nations should be a shock of reality. Coming at the time that the Bush Administration is in a full court press for regime change in Damascus, the appointment of the Administration's leading WMDdisinformation specialist, and the architect of the passage of the Syrian Accountability Act, is a particularly provocative gesture.

## Washington Post Hits Dems on Social Security

The March 8 Washington Post ran a front-page featured lie—one of a number it has uttered in a sly, weeks-long promotion of Social Security privatization under a 'Democratic' cover—against the Democracy Corps group of **James Carville** and pollster **Stanley Greenberg**. The Post claimed that a report issued by Democracy Corps chided the Democrats for not putting forward their own compromise 'solution' for Social Security, and warned them they would lose the battle unless they did. Post writer Don Balz quoted Democratic consultant Harold Ickes, somewhat incoherently, to the same claimed effect—the policy the Post wants to recommend to Congressional Democrats.

## War Crimes Was the Policy

by Edward Spannaus

Yet another report, in a series of investigations commissioned by Defense Secretary Donald Rumsfeld, has concluded that there was no systemic policy for abuse and torture, and no culpability on the part of top Administration officials, for what took place at Abu Ghraib and at other detention facilities in Afghanistan and Iraq.

## Arnie's Lies Can't Hide Shultz's Fascism

### **by Harley Schlanger**

When George Shultz threw his not inconsiderable weight behind Arnold Schwarzenegger's candidacy for Governor of California, it was said that he did so because he agreed with former Gov. Pete Wilson, that Arnie 'has the stomach' to impose the harsh medicine that Wall Street has prescribed for the state's economy.

## **Supreme Court Majority Bars Death Penalty for Minors**

### **by Nancy Spannaus**

The March 1 decision by the U.S. Supreme Court majority, declaring that the execution of minors under the age of 18 is unconstitutional, represents another step toward bringing the United States back into the moral community of nations. Whereas most countries in the world have celebrated their liberation from oppression by banning the death penalty, the United States has remained a notorious example of retributive justice. At least 72 death row prisoners, who committed their crimes when they were under 18, are expected to be reprieved by this ruling—many of them in President Bush's home state of Texas.

## **DeLay Is Nervous; Pals' Legal Troubles Mount**

### **by Harley Schlanger**

House Majority Leader Tom DeLay (R-Texas) is getting even more worried, as the legal noose tightens around the necks of the flunkies who are alleged to have laundered money on his behalf. A civil case was heard in Austin the first week in March against Bill Ceverha, the treasurer of Texans for a Republican Majority (TRMPAC), who is being sued by five Democrats who lost races in the 2002 elections for the Texas House of Representatives to Republicans who received money from TRMPAC.

# **Civil Rights:**

## **40TH ANNIVERSARY OF SELMA'S 'BLOODY SUNDAY'**

### **LaRouche Youth Join Amelia Boynton Robinson**

#### **by Bonnie James and Katherine Notley**

On the 40th anniversary of the historic crossing of Edmund Pettus Bridge in the Selma-to-Montgomery march for voting rights, one of the movement's great heroines, Amelia Boynton Robinson, invited four representatives of the LaRouche Youth Movement to join her in Selma, Alabama to participate. The annual 'Bridge Crossing Jubilee' to commemorate 'Bloody Sunday' on March 7, 1965, when state troopers attacked the demonstrators attempting to march from Selma to the state capital in Montgomery, giving the date its infamous name, was hosted on March 3-6 by the National Voting Rights Museum in Selma, and culminated on Sunday, March 6, with a re-enactment of the bridge crossing.

- **Interview: Amelia Boynton Robinson**

#### **'A Vote-Less People Is a Hopeless People'**

Mrs. Robinson, a fighter for civil rights for nearly a century, is vice chairwoman of the Schiller Institute in the United States. Katherine Notley interviewed her on Feb. 15, shortly before Mrs. Robinson returned to Selma, Alabama to celebrate the 40th anniversary of a keystone battle for the right to vote—the 1965 Selma to Montgomery march, which had its baptism by fire on Bloody Sunday, March 7, 1965. She and her late husband S.W. Boynton had been fighting for voting rights for 30 years in Dallas County, Alabama, before the Selma march. Mrs. Robinson's autobiography is titled *Bridge Across Jordan*.

## **U.S. Economic/Financial News**

### **Greenspan and Schacht Appear Together in Public**

In an op-ed in the *New York Times* March 10, James Grant, editor of Grant's Interest Rate Observer, chastised Fed Chairman Alan Greenspan for using low interest rates to create cheap credit that has only pumped up the financial bubbles, which still are "unpopped." The op-ed accuses Greenspan of "overriding the market's judgement with his own," and juxtaposes a quote from Hjalmar Schacht (who later became the Nazi Economics Minister) in 1927: "Don't give me a low rate. Give me a true rate, and then I shall know how to put my house in order." As far as any old timers can remember, this

is the first time outside of Lyndon LaRouche's publications that the names Greenspan and Schacht have appeared in the same paragraph.

## **U.S. Textile Industry Disappearing, Under 'Free Trade' Wrecking Ball**

Chinese textile imports to the U.S. have seen a dramatic increase, since China's acceptance into the World Trade Organization in 2002, began the phased lifting of import quotas for textiles. According to customs figures for the January export of textiles and clothing to the U.S., released March 7 by the National Council of Textile Organizations, in 2001, Chinese imports accounted for 10% of the U.S. market. By 2004, the Chinese share was 70%.

At the end of last year, the final phase of removing quotas was completed. In January 2005, as compared to the year before, export of Chinese apparel products to the U.S. increased an average of 546%. Nearly 27 million cotton trousers, for example, were shipped two months ago, as compared to 1.9 million in January 2004. In a few categories, China shipped more than the entire previous year's trade in one month's time.

The Bureau of Labor Statistics reports that in January of this year, 12,500 U.S. textile workers lost their jobs. The National Council of Textile Organizations warns that 13,000 U.S. mills are at risk. The industry has petitioned the government to reimpose quotas on China, in specific categories, five of which have been granted. They want the government to initiate these safeguards automatically. They have been supported by Turkey and Peru, which find they are being chased out of the U.S. market by cheaper Chinese goods.

## **Wal-Mart Forced To Close Store in Quebec**

The first of what may become a run of Wal-Mart store closings was announced by the pirate company last month. The Jonquiere, Quebec store will close May 6, because last August the workers had unionized, and Wal-Mart claims they have been making "escalating demands," and that the union "wanted to fundamentally change the store's business model." Now Wal-Mart fears that that victory may be repeated, across all of North America. The chain in Canada employs 70,000 people in 256 stores. In January, the second Wal-Mart store in Canada unionized.

The *New York Times* reported March 10 that three Wal-Mart stores in Quebec have received bomb threats since the closing was made public, and that a former premier of the province has announced a boycott of the chain. Wal-Mart, workers report, is now using the example of the shut-down of the Jonquiere store as a warning of what could happen to their jobs, should they dare to organize. In addition to threats of job loss, Wal-Mart is trying to intimidate workers at other stores to stop them from joining a union.

## **World Economic News**

### **British Press Warn of Looming Financial Crisis**

City of London investor Tony Dye, who correctly predicted the crash of the Internet bubble several years ago, is now warning that the "wildly speculative" share-price bubble in oil and natural resources companies is going to blow out. Dye told the March 6 *Sunday Telegraph* that the share price in many new oil and resource companies is too high and many investors will lose money.

Dye said that the boom in the resources sector is "wildly speculative," and is comparable to previous market crazes. "We've seen these cycles before over the years," Dye said, "and there won't be many people who make much money out of it."

A group of companies, including Australian Global Petroleum, are listing on London markets, where there is a "boom" in resources stocks. Companies about to list on the London markets include Afren, a new exploration and production company focussed on Africa, and British Rockhopper Exploration.

### **Sunday Times Warns of Equity Debt Bubble**

The March 6 *Sunday Times* of London ran a feature warning of the dangers to the financial system of the equity debt bubble, which includes the California pension funds, CalPERS.

The *Times* described the private equity "industry" as "the Jekyll and Hyde of finance." Private equity firms such as Apax, headed by Sir Ronald Cohen, the City of London's fifth-richest man, buy and sell companies, "which are held privately—their shares do not trade on stock exchanges," the *Times* reported.

Mark Anson, chief investment officer of the \$175 billion California Public Employees Retirement System (CalPERS), is quoted as saying, in a speech in Geneva last month, that the biggest asset bubble that he is "afraid of at the moment is private equity." These companies now employ 2.7 million people, or 18% of the private-sector workforce. "There's too much debt in some deals," the *Times* quoted London lawyer Stephen Mostyn-Williams. "If interest rates rise, a number of these deals may go under."

Private-equity firms traditionally buy companies with 33% equity and 67% debt, but in the current situation of low interest rates and high liquidity, they are now buying companies, such as the Dutch publisher World Directories, using only 10% equity and 90% debt.

The British Treasury held hearings on private equity in November. Interest rate increases in 1990 brought down many private-equity-backed companies. Private equity firms do not disclose debt levels at all, and disclose profits only to clients. CEOs are conceding that this operation is now "at a cyclical peak,"

"The point is nobody knows ... whether the Jekyll or Hyde side of private equity has the upper hand. There is not enough information," the *Times* said.

### **British Home and Car Markets Weakening**

Both the home and car markets in Great Britain are slumping, sector reports confirmed March 5. House prices dropped 0.5% last month, the fourth fall in the past seven months. Now, the annual rate of price growth is at a three-year low of 12.1%, down from the peak of 22.1% in July 2004.

New car sales last month fell by 16%, year on year, to 77,000. Private, as opposed to fleet, sales were down 23%. Both falls were the biggest under the current registration system set up in 1999.

## **United States News Digest**

### **Fiscal 2006 Budget Follows Bush Blueprint**

Both the House and Senate Budget Committees acted last week to pass budget resolutions for FY 2006 that largely follow the Bush blueprint. Both claim to reduce the budget deficit by half, by 2009. Both provide a reserve fund of \$50 billion for the wars in Iraq and Afghanistan. Both assume tax cuts—the House \$106 billion, and the Senate \$70 billion—over five

years. Both also demand "savings" from mandatory spending programs. The Senate demands \$32 billion and the House \$68.6 billion over five years. Sen. Robert Byrd (D-W.Va.) minced no words as to what this budget will actually mean. In a presentation to the Senate Budget Committee on March 10, he noted that while the budget plan requires sacrifice of the American people, "in the end they're worse off, with higher deficits, increased debt burden and fewer services to show for their sacrifice."

## **Democrats Shut Down House Ethics Committee**

The battle over the (non-)ethics of House Majority Leader Tom DeLay (R-Texas) escalated, on March 10, when the Democratic members of the House Ethics Committee refused to allow the committee, which is divided evenly 5 to 5 between Republicans and Democrats, to organize for the 109th Congress. They said they won't allow the committee to operate until the rules changes passed in January, are repealed. The changes would require, among other things, that at least one Republican member support an investigation, before a probe can take place. Rep. Alan Mollohan of West Virginia, the ranking Democrat on the committee, told reporters, after the committee deadlocked on its own rules, "These rules undermine the ability of the committee to do its job. An ethics committee has to do a good job if it's going to do any job at all."

The Democrats' action followed reports that a delegation of Republican House members, including Tom Delay, accepted an expense-paid trip to South Korea on Aug. 25, 2001, from a registered foreign agent, in violation of House rules. Delay's aides claimed: "There's no way we could have known." But the Korea-U.S. Exchange Council, which arranged and paid for the trip, was created with help from a lobbying firm headed by DeLay's former chief of staff, Ed Buckham. DeLay was accompanied on the trip by his wife, and Reps. Ileana Ros-Lehtinen and Ander Crenshaw, both Florida Republicans.

Mollohan had on March 1 introduced a resolution to repeal all of the ethics rules changes that the GOP had forced through. "There cannot be a credible ethics process in the House of Representatives," Mollohan said, unless the committee "is able to consider complaints against members and staff in a thorough, efficient, and non-partisan manner." Under the new rules, a member of the majority party who is alleged to have violated the rules of the House, is guaranteed protection from an investigation. This rule, Mollohan said, will "promote partisanship and deadlock within the committee."

## **Fat Cat Republicans Kill Minimum Wage Hike**

Senate Democrats proved, on March 7, that any debate on increasing the minimum wage is now a partisan debate, at least, in the Senate. Sen. Edward M. Kennedy (D-Mass.) sponsored an amendment to the bankruptcy reform bill, to raise the current \$5.15 an hour minimum wage to \$7.25 an hour, over two years. Kennedy told the Senate that the current minimum wage, when adjusted for inflation, is at its second-lowest level of purchasing power in its history. Most minimum-wage workers, Kennedy noted, have no health insurance, few are able to save for college tuition, most are being squeezed out of the housing market, and depend on driving to get available jobs, thus have been hit by historically high gas prices. Kennedy also noted that while Americans are working more hours than they were 30 years ago, and more hours than workers in other industrialized countries, they are making less.

The Republicans responded by introducing a counter amendment, sponsored by Sen. Rick Santorum (R-Pa.) that would have raised the minimum wage to \$6.25 an hour, but would have reduced the number of workers eligible for the minimum wage, and allowed employers to replace overtime pay with so-called "flex time." Santorum called his amendment a "surgical attempt" at a smaller increase in the minimum wage, because it would not impact small businesses' ability to hire low-wage workers.

But Santorum's amendment could not cover over the fat cat Republicans' ideological opposition to the minimum wage. Sen. John E. Sununu (R-N.H.) compared mandating a minimum wage to the policies of countries like Cuba and North Korea,

where "only the Federal government should be able to determine what one earns or does not earn...." Sen. Orrin Hatch (R-Utah) complained that the minimum wage "is a Federal government mandate which creates negative ripples throughout the national economy by making goods and services more expensive for families." Kennedy's amendment went down to defeat by a vote of 46 to 49, and Santorum's 38 to 61.

## **House Dems Denounce 'Masters of the Imperial Congress'**

House Democrats released a 147-page report March 8, denouncing the GOP as "masters of their own Imperial Congress," for staging a massive abuse of power during the 108th Congress. Rep. Louise Slaughter (D-N.Y.), the ranking Democrat on the House Rules Committee, released the report, "Broken Promises: The Death of Deliberative Democracy; A Congressional Report on the Unprecedented Erosion of the Democratic Process in the 108th Congress." "Stifling deliberation and quashing dissent in the House of Representatives became the standard operating procedure," the report states. "Past Congresses waived the House Rules; the 108th Congress simply ignored them. And when their tactics led them into conflict with House Rules they could not ignore, they changed them."

The Republican-run Rules Committee "routinely ignored regular committee order," using "'emergency' procedures in the wee hours of the night or early in the morning," and excluded larger and larger numbers of House Members with amendments from floor debates. "We watched as Republican leaders shut down the conference process so completely, that the only people who knew the contents of conference reports when they came to the House floor were the special interest lobbyists who had written them.

"The Members who once, with some justification, railed against a majority leadership's abuses of power are now the masters of their own Imperial Congress."

The report also quotes the right-wing American Enterprise Institute (AEI)'s Norm Ornstein's attack on the Republicans' management of the House, "It is the middle-finger approach to governing."

## **Democrats Escalate Opposition to Bush Medicaid Cuts**

House and Senate Democratic Leaders Nancy Pelosi (Calif.) and Harry Reid (Nev.) sent a letter March 7 to President Bush in which they endorsed a protest by the nation's governors against the administration's proposed \$60 billion cut in Federal Medicaid funding. "[I]t would be irresponsible to cut federal funding for Medicaid and exacerbate the strain on the states' budgets," thereby "jeopardizing" health coverage for the almost 60 million Americans dependent on Medicaid, they warned. "[D]o not shift costs to the states."

In addition to Pelosi and Reid, the letter was also signed by: Senators Max Baucus (Mont.), the top Democrat on the Finance Committee; and Jay Rockefeller (W.Va.), the top Democrat on the Finance Committee's Health Care subcommittee; and Reps. John Dingell (Mich.), the top Dem on the Energy Committee; and Sherrod Brown (Ohio), the top Dem on its Health subcommittee.

## **Dump Joe Lieberman Movement Forming in Connecticut**

Sen. Joe Lieberman (D-Conn.) is angering Democratic activists in his state; indeed, some wonder if he's a Democrat at all, and they are looking for at least one candidate to run against him in the 2006 primary, the *New York Times* reported March 7. "I think he has betrayed his constituency and he is leaning way too far to the right," said a former supporter of Howard Dean's Presidential bid, who met with other former Dean supporters to develop a statewide "Dump Joe" effort.

## **Democratic Bill Proposes Constitutional Right to Health Care**

Representatives Pete Stark (D-Calif.) and Jesse Jackson, Jr. (D-Ill.) proposed a Constitutional amendment on March 3, to establish health care as a basic civil right. The amendment, H.J. Res. 30, says, "All persons shall enjoy the right to health care of equal high quality." And "The Congress shall have power to enforce and implement this article by appropriate legislation." Twenty-seven other House Democrats, many of them in the Black Caucus, co-sponsored the amendment legislation, Stark said in a news release. Stark insisted that a Constitutional guarantee to health care is necessary because of reductions in company-sponsored health benefits, and proposed cuts to the Federal Medicaid budget.

## **Iraq War Further Destroys Citizen Military**

An article in the March 7 *Baltimore Sun* highlights another way in which the Iraq war is destroying the U.S. military. As a result of demoralization among "draftable" youth, Army recruiters are being forced to accept a "lower quality" of recruits in order to make their quotas. "Five months into the recruiting year, the percentage of recruits ... without high school diplomas is more than double the percentage of last year." While the article doesn't specifically make the point, this is a sure way to get people killed. It quotes David Segal, a military sociologist, "There's a firm finding that smarter soldiers are better soldiers, doing their jobs and surviving on the battlefield," something that was recognized as far back as Machiavelli.

So far, the desire for quality is still holding out, but, since recruiters missed their February quota by a significant 27%, that is likely to change. The long-term damage was highlighted by an old timer, Lawrence Korb, a former Assistant Secretary of Defense under Reagan, who said, "The Army you take out of Iraq might not be really as good as the one you sent in."

## **Ibero-American News Digest**

### **PRI Convention Removes Opposition to Energy Privatization**

At its 19th National Assembly on March 4, Mexico's largest opposition party, the PRI, voted to remove from its party statutes the binding resolution against opening the state-run national energy industries (oil and electricity) to private capital—including foreign capital. An attempt by nationalists to hold the line by citing Article 27 of Mexico's Constitution, which establishes state control over the nation's energy resources, was also shot down.

Foreign financiers hailed the vote as "a PRI U-turn" on energy policy which opens the door to foreign investment in Mexico's coveted oil and electricity industries. President Vicente Fox's Interior Secretary Santiago Creel immediately announced that he was ready to meet with PRI Secretary General Roberto Madrazo at any time, to concretize what he considered PRI support for "structural reforms" that would open the door wide to privatization.

Foreign interests and the Mexican right wing shouldn't crow too quickly, the outspoken PRI Sen. Manuel Bartlett warned, in numerous media interviews. "There was no mandate for privatization." Bartlett reported that Madrazo's faction had rammed through the change in policy in a stacked caucus meeting attended by only a third of the 1,872 convention delegates. Those who did this have "betrayed the country" to transnational interests who demand Mexicans give up "this horrible thing which is called nationalism," said Bartlett, but a reform of Article 27 of the Constitution would be required to permit foreign takeover of Mexico's energy resources, and we will not allow it.

Bartlett heads the Senate Constitutional Committee, and for two years, has led an unyielding opposition to the Fox government's repeated schemes to satisfy the international financiers' demands that Mexico hand over its energy resources.

Two additional comments are in order:

First, Madrazo's move to kiss up to the banks and the Bush Administration, whose support he hopes to line up for his 2006 Presidential bid, occurred in the run-up to the March 23 Crawford Ranch summit of Presidents Fox, Bush, and Canadian Prime Minister Paul Martins, at which some expect the creation of a North American Energy Community to be on the table.

Second, the PRI's whore faction has displayed impeccably bad timing, in making its move at a moment when the drive inside the United States to turn Bush into a lame duck and revive FDR-style nation-building policies, as called for by the LaRouche movement, is rapidly gaining momentum.

### **IMF to Mexico: Prepare Yourself for Oncoming U.S. Crisis**

Agustin Carstens, the former Mexican Treasury official who is now No. 3 at the IMF, "recommended" on March 4, that Mexico reinforce its domestic economy, in order to face "external shocks," coming in particular from the United States. Carstens told the Mexican Bank Association's annual meeting that it is probable that the "corrections" adopted by the U.S. government to reduce its fiscal and current account deficits, would generate periods of financial and monetary instability in the international markets, and it is therefore "urgent" that Mexico create a more favorable environment for foreign investment. He singled out the need to cut labor rights "as soon as possible," and said any surplus gained from the high price of oil must be used to pay down the debt.

### **Mesa Rallies Bolivians Against Effort to Topple Him**

Faced with another round of protests shutting down the country, Bolivian President Carlos Mesa went before the nation on March 6, to announce that he would submit his resignation to Congress, so that it would decide whether he should continue in office or not. As of March 11, it appeared that Mesa's gamble to gain some leverage to govern over a disintegrating economy and nation had momentarily succeeded. Without addressing the international breakdown crisis which is driving Bolivia's troubles, however, the respite may not last long.

The crisis was triggered by the March 3 call by the head of the coca growers, Evo Morales, for his MAS party and allies to blockade the roads and cities of Bolivia, until their demands, particularly for a 50% royalty on hydrocarbon exploitation, be met. Coca growers marched on the oil fields, and threatened to sabotage pipelines.

People took to the streets in cities around the country to demand that Mesa be reconfirmed. Leaders in the city of Oruro summarized the fears of many, when they told local media that Mesa is the last bulwark against "the savage opposition of the ultra-right with the ultra-left" which has called into question the viability of the nation, creating the conditions for dictatorship.

Bolivia's South American neighbors also mobilized, with Mesa receiving personal calls from Argentine President Nestor Kirchner, Brazilian President Lula da Silva, and even Venezuelan President Hugo Chavez. (Chavez had thrown his support behind Evo Morales up until now, inviting him repeatedly to Caracas.) The presence of other South American nations, and Brazil in particular, in Bolivia, can play an important role as "a factor for reconciliation, for development," Lula da Silva's Special Adviser on Foreign Relations, Marco Aurelio Garcia, told media on March 6.

On March 8, Congress voted to reject Mesa's resignation, and two days later, thousands answered his call for demonstrations "against the blockades."

### **Proposed New Central American Military Force a Dangerous Move**

U.S. Defense Secretary Donald Rumsfeld's drive to set up a standing supranational military force to police Ibero-America took a giant step forward on March 4, with the announcement that the Central American nations have agreed to set up a regional "Rapid Response Force" to combat "emerging threats," such as youth gangs (known as *maras*), and drug- and arms-trafficking.

The announcement was made at the end of a six-hour meeting on March 4 in Tegucigalpa, Honduras, in which Defense, Security, and Government Ministers of the area participated. The proposal for the force was first raised at a Feb. 1 Central American Presidents summit, by Honduran President Ricardo Maduro, who, like Salvadoran President "Tony" Saca, is a proponent of a military solution to the gang crisis. (Maduro and Saca both also count neo-con Jose Pinera partner Mark Klugman among their advisors. See last week's EIR Online digest.) Concrete proposals from each country for the structure of the force, and what each would contribute to its functioning, are to be presented at a follow-up meeting of the ministers on April 28. The ministers made clear that they are not discussing merely coordinating national intelligence and deployments, but establishing a force equipped with "planes, ships, and cars."

Both the Nicaraguan and Honduran Defense Ministers stated that the United States is expected to cough up money for the force.

Rumsfeld has been officially pressing the for creation of a supranational military force in the Americas to impose order on "ungoverned areas," since the November 2002 Defense Ministerial of the Americas. Efforts to rope in Chile and Argentina to take the lead in setting up such a force in South America have been stalled, so it appears Rumsfeld and crew are using their Central American satrapies to set the precedent.

### **Kirchner Launches Boycott Against Shell Oil**

Argentine President Nestor Kirchner called for a national boycott of the Anglo-Dutch Shell Oil Company, after it raised the price of gasoline and diesel oil by between 2.4% and 4.2% on March 8.

Gone are the days when one sector could walk away "with the income of all Argentines," he warned, speaking March 9 at the Presidential Palace before a group of children who had just been given uniforms for public school. "There are some" who don't want Argentina to change, he said. Kirchner told the children, "It's like the gasoline price increase which a company named Shell just announced a few hours ago, but from whom no Argentine has to buy anything. We have to say, 'Shell, No!' As President, I will say it, because they want to charge us more than they should." Let's launch a campaign, Kirchner told the children. "We won't buy anything from them, not one can of oil, and let them understand that we Argentines will no longer tolerate these types of actions. There is nothing better we can do than to launch this 'national boycott' against those who are abusing our people. Let the people respond as they should, without violence."

In a series of statements from March 9-10, Kirchner underscored that "it's all right for companies to make profits, but those have to go along with the well-being of the entirety of Argentina's citizenry." He lambasted private sector interests whose actions have recently led to higher consumer prices—price hikes which the IMF is using to demand imposition of new, harsh austerity.

What people have to understand, Kirchner said, is that a "normal" Argentina is one in which the growth of one sector will mean that all sectors can grow "as a way of creating an Argentina that will represent the whole." Now that "certain subjects" have been dealt with (i.e., the debt restructuring), "our central objective will be the building of an Argentina for all."

### **Not Much 'Mexican' Left in Mexican Bank Association**

The directors elected to head the Mexican Association of Banks at its annual meeting on March 4, says it all: Heading the "Mexican" association is the director general of Spain's Banco Santander, Serfin Marcos Martinez. He replaces the outgoing chair, who was from Citibank-Banamex, Manuel Medina Mora. Also joining the board of directors are the director generals of Spain's BBVA-Bancomer, Jaime Guardiola; the American JP Morgan, Eduardo Cepeda; Canada's Scotiabank, Anatolle Vonhan; and the sole representative of a still-Mexican-owned bank, Banco Invex's Juan Guichard.

The bankers revealed at the convention that they have been meeting, one-by-one, with Mexican Presidential hopefuls for 2006, to deliver the message that whoever is elected must stick to a market economy and guarantee "financial stability."

## Western European News Digest

### Blair Agrees To Full Debate on Terrorism Bill

After an almost unprecedented, all-night marathon, followed by a full day of debate March 11, the British House of Lords continued to defy the government on two key features of the "prevention of terrorism" bill backed by Prime Minister Tony Blair: The Lords demanded a "sunset clause," that would have the bill automatically expire in one year, and a higher standard of proof for detention. Blair, despite repeatedly declaring "no more compromises," finally backed down on the "sunset clause," which allowed the bill to pass.

The debates lasted 30 hours, after the Blair government forced it to continue through most of the night March 10, but the House of Lords sustained its institutional revolt, and refused to back down. The bill has gone back and forth between the two houses of Parliament four times.

The earlier anti-terror bill, passed right after Sept. 11, 2001, allowed for suspects who are not British citizens, to be imprisoned without trial. This was declared illegal by Britain's Law Lords in 2004. The new bill allows Britons and non-Britons alike to be detained. Originally, the Home Secretary was to be allowed to put suspects under house arrest rather than prison, but this was rejected, for a demand that only the courts could make such decisions.

On March 11, the Lords continued to sustain their two key amendments to the bill, and voted for the fourth time in 24 hours to ensure a higher standard of proof for detention of terrorist suspects—proof based on a balance of probabilities, rather than just "reasonable suspicion"—and to back a "sunset clause" that would force the bill back to Parliament after 12 months.

### Royal Wedding: Much Ado About Nothing

Queen Elizabeth fears an emergency bill in Parliament to ensure the legality of Prince Charles' civil marriage on April 8, because she fears such a bill could open the door for "republican mischief," the *Independent on Sunday* reported March 6.

There could be a High Court challenge to prevent Charles marrying Camilla Parker Bowles in a civil ceremony. The Blair government offered to push through emergency legislation to allow the marriage, but the Queen rejected it. "The Palace doesn't want to give any opportunity for republicans to cause mischief in the Commons. They don't want to provide a focus for it," one minister said. But Parliament does want to pass a bill to prevent Camilla from becoming Princess of Wales.

Nine formal objections to the marriage have been filed with the Registrar General. The objections hold that royals are prohibited from marrying in civil ceremonies, but Britain's Lord Chancellor claims that the European Human Rights Act

(which Charles opposed) allows them to marry. If the Registrar General allows the marriage, his decision is open to judicial review in the High Court.

## **German Industry Holds Commodity Crisis Summit**

At a conference in Berlin on March 8, sponsored by the federal association of industries, BDI, the heads of German industry discussed the dramatic increase in commodity prices in recent months, which is now turning into an ever bigger threat to German exports.

One issue was the fear that the price hikes for iron ore, steel scrap, and coke, which are hitting the steel sector, will further escalate tensions between the automobile producers and their suppliers. Chancellor Gerhard Schroeder appeared at the conference and called on German corporations to further increase their ties to Russia in order to help secure Germany's future oil and gas supply. Probably the most interesting statement was made by BDI head Juergen Thumann, who demanded that, in light of the current energy price explosion, Germany has to completely rethink its rejection of nuclear power.

## **GM Contract in Germany Cuts Wages; Promises No More Layoffs**

The layoffs which caused German auto workers to demonstrate against General Motors subsidiary Opel in Russelsheim and Bochum last year, will end in 2010, General Motors promised in a new contract signed March 4. However, Opel will exact wage cuts in two forms. First, its German workers will not be paid for more than an average of 35 hours per week, even if they work overtime; and second, they will give up 1% of their previously negotiated wage increase for each year between 2006 and 2010.

GM lost \$2.6 billion on its European operations—some of which are carried out by its Japanese subsidiary!—in 2004.

## **German Chancellor Holds Emergency Meeting on Unemployment**

A meeting between Chancellor Gerhard Schroeder and the leaders of the two main opposition parties, Angela Merkel (CDU) and Edmund Stoiber (CSU), was expected on March 11. A meeting is also going to be held between the governing Social Democrats (SPD) and the labor unions, whose date is not yet set.

Meanwhile, the labor committee of the SPD, the AfA, issued an urgent appeal for a state-funded (via the Kreditanstalt fuer Wiederaufbau) emergency conjunctural incentives program in the range of 10 billion euros, annually. This is to be invested in the municipal sector, with the main emphasis on social, economic, and transport infrastructures.

## **EU Finance Ministers Hit Brick Wall on Maastricht**

After marathon talks March 7-8 in Brussels were concluded without result, the 25 finance ministers of the European Union will meet again, for a "last-chance" round of talks, March 20. But positions are so far apart between the Franco-German camp on the one side, and the Dutch on the other, that an agreement is not very likely. The issue is reform of the European Union's Maastricht Treaty, which strictly limits government deficits. Under current conditions of widespread unemployment and industrial shutdown, this is creating a crisis in the member nations, most notably France and Germany.

Therefore, the ball is now in the court of the heads of government, who will convene on March 22. It is not entirely clear what French President Chirac and Chancellor Schroeder are going for, but they called for "more growth" and "more flexibility of the criteria." The German Chancellor also held a surprise meeting with Luxembourg's Prime Minister Juncker,

March 8—about which no details have been made known, so far. Juncker warned of a complete failure of the talks on Maastricht reforms.

Schroeder, for his part, announced that the week of March 14, he will present the German national parliament with his thoughts about a growth-promoting program, and that this will also be the platform for the March 17 meeting which he has scheduled for talks with the opposition leaders Angela Merkel (CDU) and Edmund Stoiber (CSU).

## **North Rhine-Westphalia Labor Leaders Launch Offensive vs. Greens**

In an initiative called "Pro Industriepolitik," factory council chairmen of, so far, 25 of the larger industrial firms in the German state of North Rhine-Westphalia (NRW), have attacked the Greens as job-killers, and thereby responsible for a large part of the record high unemployment in Germany. The initiative demands an end to the ban on genetic engineering in agriculture and on certain pharmaceutical products. It demands that the Red-Green exit from nuclear technology be reversed. The Greens are to be kicked out of the government in NRW, after the May 22 state parliament elections, the initiative states.

The initiators include factory council leaders from Bayer Chemical, Thyssen-Krupp, Ford, Ruhrgas, EON Energie, Metro (wholesale). This is the first explicitly anti-Green action of labor leaders in North Rhine-Westphalia since 1997 (when the ferment was suppressed, to open the door to the Red-Green state government coalition), and it may have to do with BueSo/LaRouche Youth Movement campaigning.

## **Russia and the CIS News Digest**

### **Putin To Meet European Leaders**

Russian President Vladimir Putin will confer with the leaders of France, Germany, and Spain when he visits Paris on March 18, the Kremlin announced March 4. In addition to bilateral talks with French President Jacques Chirac, Putin and Chirac will meet German Chancellor Gerhard Schroeder and Spanish Prime Minister Jose Luis Zapatero, for a quadrilateral summit. The summit agenda will be a review also of the strategic situation since the Bush visit to Europe Feb. 22-24. Chirac and Schroeder, together with their foreign ministers, met in Germany on March 7, ahead of the March 18 Paris summit.

### **Russian-German Defense Ministers' Meeting**

Russian Defense Minister Sergei Ivanov visited Germany March 2 for talks with his German counterpart, Peter Struck. At a joint press conference, they announced cooperation in the form of joint military maneuvers, and an upcoming April session of the Russian-German military commission, which will be held in St. Petersburg and will discuss naval cooperation. Cooperation in the areas of naval construction and the military use of space were on the agenda. They also announced a new government-to-government transit agreement for the transport of German troops to Afghanistan via the Russian rail system, rather than by air.

### **Russian Defense Minister Speaks on Missile Capabilities**

Russian Defense Minister Sergei Ivanov once again spoke out March 1 on his country's development of missiles that could nullify any defense system. In the past, Ivanov has reported that Russian defense will be based on the mobile Topol-M long-range rocket, rather than silo-based ICBMs. In addition, he said, Russia is focussing attention on the Baluya, a nuclear-capable sea-based strategic missile. "We will not be baking rockets like cakes as we did in the Soviet era," said

Ivanov. As the old missiles age and are decommissioned, a smaller number of more powerful and precise weapons will take their place.

## **More Russian Nuclear Power Plants for Iran?**

There is a good chance for more Russian-built nuclear power plants in Iran, said Russian Ambassador to Teheran Alexander Maryasov on March 3. He said that the successful completion of the first generating unit of the Bushehr nuclear power plant, within the agreed time limits, would create favorable conditions for new contracts. Maryasov added that a bilateral working group would determine the best site for "the possible construction of at least one more generating unit." He expressed satisfaction with the Feb. 27 signing of documents on the return to Russia of the spent nuclear fuel and on deliveries of fresh fuel to the Bushehr plant.

## **Russia Welcomes Syrian Withdrawal Announcement**

Unlike the Bush Administration, the Russian government has welcomed Syria's intention to withdraw troops from Lebanon. The Russian Foreign Ministry said March 6 that the pullback of Syrian troops to Lebanon's Bekaa Valley, near the Syrian border, would help to stabilize the political situation in the region. The ministry welcomed "Syria's intention to move, in coordination with the Lebanese side, the entire Syrian military contingent in Lebanon to the Bekaa region and then to the Lebanese-Syrian border." Moscow views this decision as one that leads to "the stabilization of the political atmosphere in this part of the region."

## **Georgia Strikes New Agreement with NATO**

Moves by the Georgian government of Michael Saakashvili toward increased military coordination with NATO are drawing concern and comment from Russia. On March 2, Georgian Foreign Minister Salome Zourabichvili (formerly the French Ambassador to Georgia) began two days of talks with NATO Secretary General Jaap de Hoop Scheffer in Brussels, during which they signed an agreement on Transit for NATO Forces and Personnel to Afghanistan. Russian press played up the potential for Georgian territory to be used by NATO, not only for airlifts to Afghanistan, but also in future operations against Iran.

Speaking in Brussels March 2, Zourabichvili also called on the European Union to consider sending monitors to the Georgia-Russia border to replace the Organization for Security and Cooperation in Europe (OSCE) monitors, whose continued presence Russia blocked. This drew an official expression of "bewilderment" from the Russian Foreign Ministry, which accused Zourabichvili of attempting to drive a wedge between Russia and the EU.

Another outburst against Georgia come from the Russian Defense Ministry on March 9, which warned against the use of "ultimatum, blackmail, and pressure," in connection with demands to close Russian bases in Georgia. The Georgian Parliament is set to consider a bill to require the closure of all such bases by Jan. 1 of next year. On March 8, President Saakashvili reiterated that Jan. 1, 2006 should be the deadline for closing the bases, and said this will be discussed with Russia soon.

Testifying before the U.S. Senate Armed Forces Committee recently, Gen. James Jones, Supreme Allied Commander of the Unified Armed Forces of NATO in Europe, called the Caucasus air corridor "a critical lifeline between the coalition armed forces in Afghanistan and our bases in Europe." He also cited the importance of the Caucasus region for the transshipment of Caspian basin oil.

## **Estonia, Lithuania Will Not Attend V-Day Anniversary Celebration**

On March 7, President Arnold Ruutel of Estonia and Valdas Adamkus of Lithuania announced that they will not take part in the May 9 celebration of the 60th anniversary of victory over the Nazis. Each spoke in terms of "being at home with my people." The issue arose, as forces in the Baltic countries demanded that May 9 be viewed as the beginning of 45 years of Soviet occupation, as much as it was the end of World War II in Europe. Latvian President Vaira Vike-Freiberga has stated that she will attend the Moscow event, while also denouncing the mass deportations of people from the Baltic area in the late 1940s.

## **Chechen Separatist Leader Aslan Maskhadov Killed**

Russian TV broadcasts on March 8 showed Nikolai Patrushev, head of the Russian Federal Security Service, briefing President Vladimir Putin on the success of a "special operation" inside Chechnya, during which Gen. Aslan Maskhadov was slain. The reports said, however, that the operation had been designed to take Maskhadov alive, until the weapons of his bodyguards "were either misused or something went awry." Putin was broadcast, asking Patrushev to verify and double-verify the dead man's identity.

Maskhadov had a career in the Soviet military, but joined the Chechen insurgency in 1992, after the Soviet Union collapsed. In 1997, he won the Chechen Presidency, in elections scheduled under an arrangement for Chechen autonomy within Russia, negotiated with the rebel leaders by the late Russian Gen. Alexander Lebed to end the First Chechen War (1994-1996). Maskhadov, campaigning to "reinforce the independence of the Chechen state," defeated the more radical candidate, Field Commander Shamil Basayev. But when, in 1998-1999, Basayev's forces escalated attacks on federal forces and invaded the adjacent North Caucasus republic of Dagestan, touching off a second war, Maskhadov went underground with the radical field commanders. During the past few years, outside meddlers like the Alexander Haig/Zbigniew Brzezinski American Committee for Peace in Chechnya have demanded that Moscow open negotiations with Maskhadov and his representatives. But Russian officials put a \$10 million bounty on his head for co-responsibility in the September 2004 Beslan school massacre (though Maskhadov denied involvement in it).

## **Southwest Asia News Digest**

### **Iranian Official: Why Nuclear Energy Is Considered an Important National Asset**

On March 6, in the *Tehran Times*, Dr. Ali Larijani, the representative of the Supreme Leader, Ayatollah Ali Khamenei, on the Iran's Supreme National Security Council, gave a wide-ranging interview discussing Iran's nuclear program and the current talks between Iran and the European Union. Larijani listed the reasons why Iran needs nuclear energy, and why the nation will protect its right to the technology. The interview, in sharp contrast to neo-conservative, and physiocratic strategists who believe that developing countries, especially in the Middle East, should *not* have nuclear power, gives a good idea of how Iranians view the issue. Excerpts from the interview follow.

*Tehran Times:* Mr. Larijani, it is said that if Iran gives up its nuclear fuel cycle program, Europe and the United States are prepared to sell Iran seven reactors and provide nuclear fuel to Iran. What is your opinion on the matter?

*Larijani:* First, the nuclear fuel cycle program belongs to the Iranian nation and all Iranians view it as a national achievement. See, nobody asks in which French state Louis Pasteur succeeded in discovering the tuberculosis virus. What is important for the French people is that Louis Pasteur was a Frenchman and his achievement belongs to the French people. Iran's nuclear fuel cycle is a national achievement and the product of the efforts of young Iranian scientists with an average age of 30, and it belongs to the whole Iranian nation and not to the officials who want to give it up.

Secondly, Iran's nuclear fuel cycle is totally in the service of the economic and social development of the country. In the

1970s, studies showed that in order to achieve 8% economic growth per year by the year 2010, Iran would have to consume all its oil, and therefore, plans to generate 7,000 megawatts of nuclear energy were made, and at that time, the Americans themselves consulted with Iran in this regard. Economic development in Iran, like any other place in the world, is dependent on the production of nuclear energy. One cannot sell oil and buy nuclear fuel. The plan for the nuclear fuel cycle is for the production of energy. It is not fair that France with a population of 60 million has the right to produce 75% of its electricity from nuclear energy and the Iranians should be denied such a development. No government has the right to deny the people their rights.

Thirdly, indigenous nuclear technology is more than a right; rather, it is a need. The Iranian people need to utilize new scientific achievements and improve their standard of living by accessing nuclear energy. In fact, if Europe and the U.S. agree to sell nuclear reactors and nuclear fuel to Iran, they have recognized the Iranian nation's right to make use of nuclear technology.

Fourthly, Iran has never trusted and will never be able to trust the stances adopted by Britain and the U.S. and [their stances] are also incompatible with our independent policy. In any case, why should we plant our seeds in someone else's field? We will plant in our own field and the product will also be ours.

Fifthly, the Americans are not concerned about our nuclear technology development due to nuclear bombs. Rather, they realize that with this development, the industrial level of our country will rise. We have to consider the fact that accessing nuclear technology is a launch-pad for the country's future and like the nationalization of oil, the people desire it.

*Q:* U.S. Secretary of State Condoleezza Rice has confirmed that the Bush Administration is studying proposals from Europe to grant economic incentives to Iran in return for the Islamic Republic's agreement to completely halt its uranium enrichment activities. Since the Bush Administration has so far stated that it is not willing to grant any concession to Iran or cooperate with the country, do you think this marks a major change of policy in the U.S. approach toward Iran?

*Larijani:* This change of policy can be considered as a kind of withdrawal in the U.S. diplomacy toward Iran's nuclear issue. But it is important to realize that this does mean the U.S. has changed its goal to completely halt the nuclear fuel cycle in Iran. I personally believe that the efforts of the U.S. and Europe are aimed at intensifying pressure on Iranian nuclear officials so that Iran's nuclear program will be brought to an end by the hands of the Iranian government itself. Therefore, I believe that the recent remarks of the Bush Administration are only part of a new tactic to reach the main goal.

*Q:* U.S. President George W. Bush told reporters in Brussels that Iran should do what Europe and the U.S. want it to do, that is, halt its nuclear activities. He stressed that the European negotiators have directly asked Iran to end its nuclear program. What is your opinion about the future of the Iran-EU nuclear negotiations, in view of the current circumstances?

*Larijani:* Defending Iran's right to gain access to nuclear energy in order to improve people's lives is what is important for us in the negotiations, and we will not renounce this right. Our aim is to maintain our national achievements in the talks. If the U.S. and Europe attempt to trample upon Iran's national interests, this would be their biggest mistake, because the Europeans cannot show that they are incapable of resolving international issues since this would be a very bad experience for them. Our aim in the negotiations is merely to build confidence through mutual understanding. We believe that the Islamic Republic should try to prevent the creation of a negative atmosphere against Iran in the international arena through cooperation and mutual understanding. By continuing with negotiations we have not only left the U.S. without any pretext against us, but have also prevented any kind of U.S. adventurism against Iran. The government should make use of foreign cooperation so long as it does not harm its national interests. The continuation of talks up until now was meant for confidence building. However, I believe that the issue of confidence building in Iran's nuclear dossier is a two-edged sword. If the Europeans consider it to be one-sided, and as Iran's debt to the West, then the negotiations will not be negotiations at all, but a dictated text meant to humiliate the nation....

*Q:* Following the recent negotiations with Europe, a member of the Iranian negotiating team announced that Iran would resume nuclear fuel production if the negotiations were not successful. Do you think the nuclear talks will reach a successful conclusion?

*Larijani:* I would first like to emphasize that a successful conclusion of the talks with Europe would lead to the resumption of nuclear fuel production in a short period and nothing more. If Europe is truly seeking objective guarantees from Iran that its nuclear program will not be diverted, then we can be hopeful that the talks will be successful. It seems that French President Jacques Chirac has a better understanding [with Iran] about the mechanism of objective guarantees rather than demanding a complete freeze of Iran's nuclear program.

## Asia News Digest

### India and Venezuela Work Out an Oil Deal

India has signed a deal to take a 49% stake in Venezuela's San Cristobal oil field. The deal was signed during Venezuelan President Hugo Chavez's ongoing four-day (March 4-7) visit to India.

"For us to receive 49%, plus the operatorship, is a huge advance, and with that, I am now truly well positioned to commercialize exploration work," said India's Petroleum Minister Mani Shankar Aiyar. No financial details of the deal have been made public. But, as part of the agreement, one of six signed in New Delhi, Petroleos de Venezuela SA is taking a stake in India's refining subsidiary, Bangalore Refinery and Petrochemicals Ltd. This will pave the way for the Bangalore refinery to process heavy Venezuelan crude.

Of late, India has been aggressively pursuing energy supplies through bilateral agreements, and has taken stakes in fuel projects in Russia, Libya, Sudan, and Qatar, among other countries, and recently struck an agreement to import natural gas from Iran.

### U.S. To Set Up Nine Military Bases in Afghanistan

According to Indian intelligence sources, the United States is in the process of setting up nine military bases inside Afghanistan. These bases will be spread throughout the country. There will be one each in Helmand, Nimrouz, and Herat (all close to the Iranian borders in south and southwest); one each in Mazar-e-Sharif and Balkh (in the north, near the Tajik and Uzbek borders); and two each in the Jalalabad/Khost area and Paktika (in the east, close to the Pakistan border).

The decision was made during the last visit of U.S. Defense Secretary Donald Rumsfeld to Afghanistan. The Pentagon has come to the conclusion that its ally, Afghan President Hamid Karzai, has gotten weaker, and could be overthrown by the Taliban in combination with Gulbuddin Hekmatyar, in seven to eight months, if the United States does not succeed in creating an Afghan army of significant size during that time frame.

### U.S. Ambassador Mulford Cautions India on Iran

Prior to his departure for Islamabad, to participate in tripartite—India-Pakistan-Iran—talks on the Iran-India pipeline through Pakistan, Indian Petroleum Minister Mani Shankar Aiyar got an "official" communication from U.S. Ambassador David Mulford, pointing out that the United States has serious concerns about Iran, and cannot foresee how events there will shape up, according to the *India Daily* March 11. Aiyer is scheduled to visit Tehran by the end of March, to pursue discussions on the subject.

Mulford is reported to have told Aiyar that Washington is facing serious difficulties with Tehran on its nuclear-enrichment program, and there was no solution in sight. Apparently, Mulford indicated that the problem was heating up and that the issue was being seriously focussed on by the State Department. Mulford also told Aiyer that the U.S. had previously informed Islamabad of its concerns, through its Foreign Minister, Khurshid Mehmood Kasuri.

Mulford left his message open-ended by not suggesting what India should do under the circumstances. The Indian External Affairs Ministry believes that when U.S. Secretary of State Condoleezza Rice comes to India on March 16, the U.S. side will bring up the issue, and "may provide a suggestion what India should do."

### **Islamabad Admits Iranian Centrifuge Came from Pakistan**

Months after International Atomic Energy Agency (IAEA) Chief Mohammad ElBaradei told the world that the Iranian centrifuge is a replica of the one in Pakistan, Islamabad finally admitted that the centrifuge did in fact come from Pakistan. But it was Dr. A.Q. Khan who had "given the centrifuges to Iran," and "the government was in no way involved in this," said Sheikh Rashid Ahmed, Pakistan's Information Minister. Earlier, Pakistan had categorically denied that it had supplied the centrifuge to Iran.

Pakistan has admitted in the past that A.Q. Khan, who has been dubbed the "Father of Pakistan's Atomic Bomb," had smuggled nuclear secrets to North Korea, Iran, and Libya, but denied any supply of hardware to Iran.

Khan remains under close guard at his home in Islamabad, and the government has refused to allow experts from the IAEA to question him. "We will not hand over Dr. Qadeer [Khan] to any other country," Sheikh Rashid Ahmed said on March 8.

### **China Will Not Sell Dollar-Denominated Assets—For Now**

China will not sell dollar-denominated assets in its forex reserves, just because of the dollar decline, Guo Shuqing, director of the State Administration of Foreign Exchange and vice-governor of the People's Bank of China, said March 5, at the annual meeting of the Chinese People's Political Consultative Conference (CPPCC). Guo also said that China will try to narrow its surplus in international payments to avoid the negative effects of a big surplus.

"We will not adjust the structure of our foreign exchange reserves according to short-term fluctuations [such as the one seen in the U.S. dollar in the past year]," Guo said. "If we sell U.S. dollars now when it is tumbling, it means we lose money. If we do sell them, we have to buy other currencies such as the euro. But what if the euro drops?"

Guo said China might contemplate changing the currency mix of its reserves, but only after taking into consideration a number of factors, such as the major currencies the country uses in foreign trade payment, foreign investment, and repaying foreign debt.

China is also striving to balance its international payments. China has a big surplus because of its stress on export growth and the building of forex reserves in case of another crisis such as the Asian financial crisis of the late 1990s.

But, Guo said, China is now coming to a better understanding of the cost of having a large surplus. He had warned in an article earlier this year, that the preference of exports over imports will impede the technological upgrading of domestic enterprises. He also warned that rising forex reserves have led to unwanted growth in the money supply.

### **China Wants Peaceful Reunification with Taiwan; Secession, Never**

Chinese President Hu Jintao called for peaceful reunification with Taiwan, but stressed that China will never allow secession. He was speaking March 4 at the annual meeting of the Chinese People's Political Consultative Conference (CPPCC) in Beijing. This is the "political season" in Beijing; after the CPPCC meeting, the annual session of the National People's Congress (NPC) opened two days before.

"Tremendous and complicated changes have taken place on the Taiwan island in recent years, and the intensified activities of the 'Taiwan independence' secessionist forces have posed a grave impact on the peaceful and stable development of across-Straits relations," Hu said. These changes include efforts by the Taiwan authorities to pursue a "creeping independence." He warned that "Taiwan independence" could "pose a severe threat to China's national sovereignty and territorial integrity."

However, there are "new and positive factors." These include the direct charter flights set up during the New Year Spring Festival holiday, giving "certain signs of relaxation" to cross-Straits relations, Hu said.

Hu announced his four-point guideline for relations "under the new circumstances." These include "adherence to the one-China principle [which] serves as the cornerstone" of relations; never giving up "efforts to seek peaceful reunification"; depending upon the Taiwan people to support peaceful reunification; and that the Chinese people will "never compromise in opposing the 'Taiwan independence' secessionist activities."

## **China To Maintain Macro-Control of Economy**

China will maintain its policy of macro-control of the economy in the coming year, State Development and Reform Minister Ma Kai said at a Beijing press conference March 7. "We have avoided a roller-coaster in the economy," Ma said, but more needs to be done.

Ma said that China's efforts to stabilize the economy should "not be loosened up at all," because there have been only "preliminary" achievements in bringing "overheated" growth under control. "New problems are popping up as we are addressing the old ones," he said. Beijing is looking to achieve 8% economic growth in 2005, down from 9.5% in 2004. China faces big energy, transport, and other infrastructure bottlenecks. Energy efficiency is a huge problem, Ma said: China's GDP is just one-eighth of the U.S., but its electricity consumption is 50% of the U.S. Newly installed electricity capacity was 50.55 million kilowatts last year, a world record. But, Ma said, "The increase of electricity production capacity, however, still cannot catch up with the pace of demand growth." "There were 150,000 new projects last year. In December alone, there were 20,000," Ma said.

## **BIS: Asian Nations Not Shifting Out of Dollars**

The Bank for International Settlements figures on Asian nations shifting their holdings from dollars are misleading, if they do not also include the enormous increase in dollar holdings overall. While the BIS reports that China's portion of forex holdings in dollars has gone down by 15% since 2001, the reality is that overall, China's foreign exchange reserves—mostly in dollars—have *increased* by a full 300%! Chinese forex reserves were \$212.2 billion at the end of 2001; they reached a record \$610 billion at the end of 2004. There have been similar huge increases in dollar holdings by many Asian nations, including India.

## **Africa News Digest**

### **Royal Dutch/Shell's Message on HIV to Africa: Drop Dead!**

The Joint UN Programme on HIV/AIDS (UNAIDS) issued its report, "AIDS in Africa: Three Scenarios to 2025," at a press conference in Addis Abeba on March 4.

The report, two years in preparation, was developed with funding from, or collaboration with, the World Bank, Royal Dutch/Shell Group, Rockefeller Foundation, Bill and Melinda Gates Foundation, and agencies of the U.S. and U.K. governments, among others. Nominally African agencies were also involved.

The report consists primarily of three possible scenarios for the period between 2005 and 2025. The minimal scenario is a continuation of the current mode, with emphasis on the medical side. The intermediate scenario involves some increase in spending and would cost about \$100 billion over the period. The maximum scenario, "Times of Transition: Africa Overcomes," would cost \$200 billion over the period.

The maximum scenario, like the others, includes the unstated assumptions that there will be no change in the organization of the world economy, and that HIV can be conquered in the free-market framework. It is full of talk about poverty-reduction strategies, decentralization, "encouraging people in the informal sector to accumulate assets," civil society, and activism (it is hostile to leadership by African governments). A passing mention of energy development refers only to "modular, decentralized energy systems ... [such as] wind energy, photovoltaics, biomass, fuel cells, small hydroelectric plants." Africa's oil and natural gas are evidently not for Africans.

There is no mention of nutrition in this scenario, yet improved nutrition is the foundation of HIV prevention. "Agro-industrial projects" is not part of its vocabulary.

The report can be read at [www.unaids.org](http://www.unaids.org).

### **Purpose of War in Darfur: Overthrow Sudan Government**

The leading Anglo-American objective in Sudan is the overthrow of the Bashir government; the war in Darfur is only a means to that end. The International Crisis Group's (ICG) March 8 report, "Darfur: The Failure to Protect," is a reminder and confirmation of this.

The government—caught between the Anglo-American backed insurgents in Darfur and overt Anglo-American pressures—shows no sign of having the insight to judo its way out of the trap. It continues to follow a defensive strategy that is a proven failure. The result is increasing division within the alliance of forces upon which the government depends.

The ICG report, which draws on many interviews carried out by its own extensive intelligence resources, includes this quote from an interview with a government official on Nov. 13, 2004 (p. 8):

"There are many in the government who are pleased with the work of Musa Hilal and other Janjaweed [militia] leaders, because they've protected the government interests in Darfur. Those who committed war crimes should be brought to justice, but we are afraid of the backlash. Musa Hilal, for example, has 3,000 to 4,000 soldiers under him. If we arrest him, they will turn on us. The government has to weigh that against the outside pressure to take action, and possible repercussions from inaction."

The comment is not quite truthful: If "many in the government ... are pleased" with the Janjaweed, then backlash from government action against the Janjaweed takes the form of intensified factional conflict within the government, with possible military implications that would go far beyond the Janjaweed forces themselves.

The ICG's plan implicitly means tightening the screws until the government either surrenders to Anglo-American dictates or crashes, whatever may be the consequences for Sudan's territorial unity. The two chief means explicitly endorsed by the ICG at present are: 1) a 10,000-plus peacekeeping force in Darfur imposed on Khartoum, involving NATO and/or EU forces, nominally under African Union aegis; and 2) trials of selected government leaders for war crimes.

For the Anglo-American powers and their allies, "Darfur" just means "regime change." More people have died in the Darfur war than were killed in the tsunami of Christmas 2004. And the living, live in torment. But the latter-day friends of Bertrand Russell tell each other, "Who really cares?"

The report can be read at [www.crisisgroup.org](http://www.crisisgroup.org).

### **Actual Peacekeepers May Be Sent to Darfur**

A greatly expanded force of peacekeepers—not observers—is expected to be sent to Darfur, if the U.S. AND the EU will pay for it. After UN Secretary General Kofi Annan called Feb. 13 for help from NATO and/or the EU, UN Undersecretary General for Humanitarian Affairs Jan Egeland called Feb. 21 for an increase in the forces in Darfur, from the mandated 3,320 to 8,000 or 10,000. UN Special Envoy to Sudan Jan Pronk agrees. And some of those who are talking about using NATO and/or EU forces, are also talking of moving from an observer to a peacekeeping mandate. Kofi Annan is among them.

The African Union now has strong reasons to concur. The existing observer force is too small to make a difference. Moreover, the AU Peace and Security Council created an instability by changing the mandate of the force on Oct. 20 slightly in the direction of peacekeeping, to "protect civilians whom it encounters under imminent threat." An AU official interviewed by ICG Nov. 13 said of this situation, "Currently, everyone is making their decision independently, each time they go to the field. It's a recipe for disaster" (March 8 report, p. 18). Because of the small size and ambiguous mandate of the force, the AU is in danger of losing its credibility. Because the AU can scarcely retreat, it is propelled toward the larger peacekeeping force.

### **Sudan Government Not Eager To Release Hassan al-Turabi**

The government of Sudan is not eager to release Islamist leader Hassan al-Turabi and the leaders of his Popular Congress Party from prison. Since an official announcement Jan. 16, that the government was taking steps to release them, there has been no visible motion in that direction.

Leaders of the PCP were hosted for a lengthy meeting at the U.S. Embassy on the same day as that announcement. An attempt by the PCP to hold a press conference (apparently after the embassy meeting) was, however, interdicted by the government.

Three senior PCP officials were ordered released by the Khartoum criminal court, but were scooped up by the security forces as they were being released, and taken to an unknown destination, according to lawyer Kamal Omar Feb. 23.

A PCP delegation had gone openly to Asmara to meet with officials of the SPLM, however. (SPLM leader John Garang has also expressed a desire to meet personally with Turabi.)

President Bashir has said, according to reports, that he wants to minimize the influence of Islamists on his government.

## **Bush: Zimbabwe Is Extraordinary Threat to U.S. Policy**

U.S. President George Bush told Congress March 2 that Zimbabwe poses a "continuing unusual and extraordinary threat" to U.S. foreign policy, and that he would continue to use national emergency powers to deal with it. These remarks were part of his message to Congress renewing sanctions first imposed on Zimbabwean leaders in 2002, according to *Business Day* (Johannesburg) March 4.

In January, Condoleezza Rice called Zimbabwe an "outpost of tyranny." South African President Thabo Mbeki took exception to her remark, calling it an exaggeration.

## **This Week in History**

### **March 14-20, 1776**

## **General Washington Drives the British Out of Boston**

On March 17, 1776, a British occupation force of 10,000 soldiers, accompanied by 1,100 Tories, was forced by Gen. George Washington and the newly-formed Continental Army to abandon the town of Boston. The American victory was due not to overwhelming force, which the Americans never possessed, but to careful planning, bold maneuvers and the creative abilities of individual officers and men.

When Washington arrived on July 2, 1775 in Cambridge, to take command of the New England militia and Minutemen who had gathered around British-occupied Boston, the prospect of defeating Britain's well-supplied professional army did not look promising. The Americans had only a handful of cannon, and an inventory of gunpowder supplies revealed that there were fewer than nine shots available per man.

Had the British known of Washington's lack of powder and cannons, they could have sent out major expeditions to scatter the surrounding army. But Washington kept the army's actual numbers and lack of supplies to himself, while launching initiatives to increase his firepower. To just a few intimates, he admitted that, "So far from my having an army of 20,000 men, well armed, I have been here with less than one-half of that number, including sick, furloughed, and on command; and those neither armed nor clothed as they should be. In short, my situation has been such, that I have been obliged to use art, to conceal it from my own officers."

But Congress and the American public were impatient with the seeming delay in attacking the British, and heavy pressure was being put on Washington to act immediately. "To have the eyes of the whole continent," said he, "fixed with anxious expectation of hearing of some great event, and to be restrained in every military operation for want of the necessary means of carrying it on, is not very pleasing, especially as the means used to conceal my weakness from the enemy, conceal it also from our friends, and add to their wonder."

One of Washington's biggest problems was that the enlistments of the "Eight Months Army" raised by New England after the battles of Lexington and Concord would expire in December. Congress responded to Washington's request for assistance by sending Benjamin Franklin and two other Congressmen to Cambridge for a planning meeting. Delegates from several New England colonies joined the group, and several days of deliberation resulted in preparations for founding the Continental Army on Jan. 1, 1776.

Artillery officer Henry Knox was dispatched to Lake Champlain to bring back the cannon from Fort Ticonderoga, which had been captured by American militia. When Knox and his men succeeded in hauling the cannon through winter snow and ice to Massachusetts, the existence of the much-needed artillery was kept secret from the British.

Meanwhile, in October, Gen. Thomas Gage was recalled to Britain, and the much more efficient Gen. William Howe became chief commander of the British Army in America. Howe immediately strengthened his defenses and sent out British Navy cruisers to harass the coastal towns of New England, hoping to force Washington to weaken his army by sending detachments to defend the seacoast. Portland, Maine was burned in October, and other towns soon followed.

But Washington was not fooled. Since the U.S. Navy had not yet been established, he encouraged the conversion of American ships to privateers. One ship in particular was directed to maintain a position off Boston Harbor, and it captured a British supply ship which contained heavy guns, mortars, and entrenching tools—just what the Americans needed. Washington also had floating batteries constructed on the Charles River which could be used to lob shells into Boston when the American army attacked.

As winter progressed, Washington was chafing with impatience to "break up the nest" in Boston. He hoped to attack over the ice on the Charles River, but the winter was too mild. When the river finally froze over in February, his council of officers voted against the plan as being too dangerous. General Howe, meanwhile, felt secure in his beleaguered city, attending a series of plays and other amusements. He wrote to Lord Dartmouth that he had not the least apprehension of an attack from the rebels, and that he really wished that they would "attempt so rash a step, and quit their strong intrenchments." He was soon to get his wish.

When the Charles River attack was voted down, Washington determined to fortify Dorchester Heights, which overlooked Boston and its inner harbor, and which both Gage and Howe had neglected to occupy. He planned carefully, and for three nights, starting on March 2, the American cannon bombarded Boston from five locations around the outskirts of the city. Then, at 7:00, on the evening of March 4, two thousand American soldiers, with entrenching tools, silently made their way to Dorchester Heights. The 300 wagons and carts which followed them rolled on muffled wheels, while bales of hay piled along the route protected them from being seen or shot at by British sentries. Even when the troops began constructing redoubts and placing the cannon, the British sentries, diverted by the roaring cannonades, did not hear them.

General Washington came to supervise the work in person, aided by engineer Richard Gridley, who had designed the breastworks at the Battle of Bunker Hill. By dawn, the soldiers had constructed two redoubts armed with the cannon from Fort Ticonderoga. There were hundreds of barrels, filled with stones, positioned on the Heights for rolling down on potential attackers. At the base of the ridge were a line of strong abatis (pointed wooden stakes), cut from the trees in adjacent orchards.

A British officer wrote that, "This morning at daybreak we discovered two redoubts on Dorchester point, and two smaller ones on their flanks. They were all raised during the last night, with an expedition equal to that of the genii belonging to Aladdin's wonderful lamp. From these hills they command the whole town, so that we must drive them from their post, or desert the place." The amazed General Howe exclaimed that "The rebels have done more work in one night, than my whole army would have done in one month." Admiral Shulldham informed Howe that, "If they retain possession of the Heights, I cannot keep a ship in the harbor."

Washington knew there would be a British attack, and so he had prepared boats and floating batteries that would carry 4,000 American troops into Boston. Howe dispatched a picked force of 2,400 men by water to attack the Heights, but a severe storm blew some of them ashore and made it impossible for the British Navy to cover their movements. Heavy rains the next day also made an attack impossible, and Howe's council of war determined to evacuate, taking Boston's Tories and their families with them to Nova Scotia.

Howe sent a note to Washington via the Boston selectmen, threatening to burn the town if his troops were fired on while evacuating. As the Americans held their fire, however, Howe procrastinated, hoping that he would be reinforced from Britain. Washington did not rest on his accomplishments—he planted a new battery overlooking the town and was ready to attack in case the British changed their minds. When Howe still occupied Boston on March 16, Washington gave an order to seize and fortify Nook's Hill, which was the closest hill to the city, and which then put the British completely at his mercy. Howe understood the message, and began loading his troop transports at 4:00 a.m. on March 17.

The news of the evacuation of Boston stunned the British Ministry. The Duke of Manchester told the House of Lords that, "The Army of Britain, equipped with every possible essential of war; a chosen army, with chosen officers, backed by the power of a mighty fleet, sent to correct revolted subjects; sent to chastise a resisting city; sent to assert Britain's authority;—has, for many tedious months, been imprisoned within that town by the Provincial army; who, their watchful guards, permitted them no inlet to the country; who braved all their efforts and defied all their skill and ability in war could ever attempt. One way, indeed, of escape was left; the fleet is yet respected; to the fleet the army has recourse; and British generals, whose name never met with a blot of dishonor, are forced to quit that town which was the first object of the war, the immediate cause of hostilities, the place of arms which has cost this nation more than a million to defend."

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