

[return to home page](#)

This Week You Need To Know

LaRouche's New Bretton Woods Debated in Italian Parliament

by Paolo Raimondi

The Chamber of Deputies, one of the two houses of the Italian Parliament, began a discussion on March 14 of Motion 1-00320, which calls on Rome to take international action for the convening of a New Bretton Woods conference, to get the world economy and financial system out of systemic crisis. The **motion** had been introduced on February 2004 by Deputy Mario Lettieri, who gained the support of about 50 parliamentarians from all the parties represented in Parliament, mostly from the opposition, but some also from the present Berlusconi coalition.

The importance of the Lettieri motion is that it is an institutional act undertaken in a member nation of the G7 group, and one of the main initiators of the European Union, which publicly and officially poses the urgency of a new international financial architecture to be organized by the direct intervention of government and state leaders, as U.S. President Franklin D. Roosevelt acted in 1944 at Bretton Woods to rebuild the world economy after World War II. As reported fully in the following pages, in his intervention, Lettieri immediately identified Lyndon LaRouche as the initiator and the promoter, at the international level, of the campaign for a New Bretton Woods....

...link to pdf version in InDepth section

InDepth Coverage

.Links to articles from

***Executive Intelligence Review*, Vol. 32, No. 12**

***Requires Adobe Reader®.**

Feature:

Ibero-Americans Tell Of Their Privatized Social Security Horror

On March 12, the weekly Internet broadcast of 'The LaRouche Show' was dedicated to an extraordinary series of interviews with six social security specialists and trade union leaders from four countries of Ibero-America, who reported on the disastrous results of social security privatization in their respective countries, and urged the United States not to make the same mistake, and to reject the Bush Administration's plan to privatize Social Security along the fascist model of Pinochet's Chile.

Investigation:

Nazis, Operation Condor, and Bush's Privatization Plan

by William F. Wertz, Jr.

President George W. Bush has made it clear that the model for his current drive to privatize social security in the U.S. is the privatization of social security which was implemented in Chile under the fascist dictatorship of Gen. Augusto Pinochet in 1981 by his Labor Minister José Piñera. As Lyndon LaRouche has warned, if Bush succeeds, it will be a foot in the door for fascism. This is no exaggeration, as we shall prove.

Economics:

LaRouche's New Bretton Woods Debated in Italian Parliament

by Paolo Raimondi

The Chamber of Deputies, one of the two houses of the Italian Parliament, began a discussion on March 14 of Motion 1-00320, which calls on Rome to take international action for the convening of a New Bretton Woods conference, to get the world economy and financial system out of systemic crisis. The motion (see our previous issue for the full text) had been introduced on February 2004 by Deputy Mario Lettieri, who gained the support of about 50 parliamentarians from all the parties represented in Parliament, mostly from the opposition, but some also from the present Berlusconi coalition.

- Mario Lettieri

Urgent Reasons for A New Bretton Woods

The following is Hon. Mario Lettieri's speech to the Italian Chamber of Deputies on March 14. It was translated from Italian, and subheads have been added.

- Paola Mariani

It's Time for a New Financial Structure

Deputy Mariani, of the Left Democrats, followed Lettieri, speaking in favor of the motion.

- Sandro Delmastro della Vedove

Now Let Us Create A More Just Economy

Deputy Delmastro della Vedove, from the government party Alleanza Nazionale, spoke in favor of the motion at the end of the first debate session.

Breakthrough in Italy: Seven-Year Fight for A New Bretton Woods

The Italian Parliament's current discussion of the need for a new global 'financial architecture,' is the fruit of seven years of organizing—in Italy, and internationally—by the LaRouche movement. The fight began on Jan. 4, 1997, with the first major, public announcement of Lyndon H. LaRouche Jr.'s New Bretton Woods policy. LaRouche addressed a forum of the FDR-PAC in Washington, D.C. laying out a policy orientation for the second Clinton Administration, centering around two proposals: that the U.S. President convene an international conference to establish a 'new Bretton Woods system,' to put the world economy through bankruptcy proceedings and to reorganize it for productive development; and that the United States join in global projects of benefit to all mankind, with a special focus on the Eurasian LandBridge program.

Infrastructure Fix To Cost Trillions

by Mary Jane Freeman

To fix basic infrastructure in the United States and make it safe, will take a \$1.6 trillion infusion over five years, says the American Society of Civil Engineers. The ASCE released its 2005 'Report Card for America's Infrastructure,' in Washington, D.C., on March 9, identifying the impact of infrastructure collapse on the economy and living conditions. The ASCE team of civil engineers' survey found that 'the overall grade for our infrastructure is a 'D,' down from the 'D+' grade' in the 2001 Report Card. A comparison of the 2001/2005 Report Cards reveals the extent of the collapse.

International:

[Dr. Mahathir bin Mohamad Speaks Candidly with EIR](#)

Dr. Mahathir is the former Prime Minister of Malaysia. He was interviewed by **Muriel Mirak-Weissbach** in Cairo, Egypt on March 10. The questions were prepared in collaboration with **Michael Billington**.

[Egyptians, Under Attack, Look to Malaysian Example](#)

[by Muriel Mirak-Weissbach](#)

In times of crisis, like now, it is lawful that young people of university age become radicalized, and mobilized to seek social change. In Egypt, in addition to the political convulsions ripping through the region, there are serious problems related to the economic breakdown crisis, first among them unemployment, and especially among college graduates. Thus, it should come as no surprise that students at the University of Cairo should flock to a seminar featuring Dr. Mahathir bin Mohamad, the former prime minister of Malaysia, whose experience in defending his nation's economy against wild attacks by financial speculators in 1997, has made him famous.

[EIR Message to Egypt:](#)

[U.S. Revolution Is On](#)

[by Muriel Mirak-Weissbach](#)

Fear is gripping the Arab world. As this author experienced firsthand, during a recent visit to Cairo, developments in the region after the U.S. elections have provoked fears that the chaos sparked by the Afghanistan and Iraq wars will be exacerbated, and spread across Southwest Asia. Most pointedly, the Lebanese-Syrian crisis, which erupted with the Feb. 14 assassination of former Lebanese Prime Minister Rafik Hariri, has made clear the Bush Administration's determination to pursue the 1996-drafted doctrine for a 'Clean Break'—the doctrine of regime change, beginning with Iraq, and proceeding to Syria, Lebanon, and Iran—and the elimination of the Shi'ite Hezbollah.

[Institutional Revolt Weakens Blair](#)

[by Mary Burdman](#)

After a wild battle in the British Parliament over the Labour Party government's awful 'Prevention of Terrorism Bill,' the political situation in Britain is now more volatile than it has been since Summer 2003, when the death of Iraq arms inspector Dr. David Kelly shook Downing Street. Although the very controversial emergency bill was passed on March 11, after a 30-hour, overnight debate which sent the bill 'ping-ponging' between the Houses of Commons and Lords, Prime Minister Tony Blair and his Home Secretary, Charles Clarke, had to back down on critical issues, which even hours before, they had been hotly denying they would ever yield to the opposition.

[New U.S. Bases in Afghanistan: What Do They Portend?](#)

[by Ramtanu Maitra](#)

The United States is beefing up its military presence in Afghanistan, and reports from the Indian media indicate that the United States has decided to set up nine new bases, scattered throughout the country. The locations are: single bases in Helmand, Herat, Nimrouz, Balkh, and Mazar-e-Sharif; and two bases each in Jalalabad/Khost and Paktika. According to observers, these will be set up within the context of the U.S. Global Military Plan (GMP), to be small, but flexible bases to which supplies can easily be ferried, and which can also be used as a springboard, if necessary.

[Will Mexico's PRI Become a Whorehouse?](#)

[by Ruben Cota Meza](#)

If the current president of the Mexican PRI, Roberto Madrazo Pintado, is successful in forcing his policy changes on that political party, the chances are that Mexico will sink still further into the destruction and chaos that have characterized the past quarter-century.

National:

[Threat of Financial Collapse Looms Over Budget Debate](#)

by Carl Osgood

While the U.S. Senate is a long way from debating the necessity of a New Bretton Woods, the realities of the ongoing collapse of the global financial system, and the Bush Administration's response to it, are beginning to seep through the cracks.

Bipartisan Senate Majority Must Block Cheney's 'Nuclear Option'

by Edward Spannaus

On Tuesday, March 15, Senate Democratic Leader Sen. Harry Reid of Nevada, flanked by over three dozen Democratic Senators, declared war on the plan of the Republican leadership in the White House and the Senate to destroy the right of extended debate ('filibuster') in the United States Senate—a right unique to the Senate, and one which is an essential component of the system of checks and balances embodied in the United States Constitution.

LaRouche Tells Democrats: Don't Let Shultz, Cheney Bully You Into Lying

The following question from a Washington area leading Democrat, came up early in the open discussion following Lyndon LaRouche's keynote to the International Caucus of Labor Committees/Schiller Institute Presidents' Day conference on Feb. 20. The e-mail was read by moderator Debra Hanania Freeman.

Probe Tightens Noose Around DeLay's Neck

by Michele Steinberg

The Congressional enforcer for the fascist agenda of the neo-conservatives, whom everyone thought could never be touched, is currently headed toward the ropes. Texas Republican Tom DeLay, the Majority Leader of the House of Representatives, was targeted for his corruption by Lyndon LaRouche's political campaigns months ago, under the slogan 'Clean Up Congress without DeLay.'

Commentary:

A Real Peace of Westphalia

There have been some who have attempted to dismiss Lyndon LaRouche's concept, of a new Peace of Westphalia as a model for solving today's deliberately inflamed ethnic hatreds, as impractical and idealistic. They will be surprised and heartened to read EIR's interview next week with **Cardinal Nasrallah Sfeir**, Maronite Catholic Patriarch in Lebanon, who gave the interview to EIR on March 18.

U.S. Economic/Financial News

Ford Puts Visteon on Life-Support

Visteon, America's second-largest auto parts producer, has deteriorated to a near-death situation, which epitomizes the situation of the whole U.S. auto parts sector, the which employs hundreds of thousands of workers. The March 14-18 turmoil has worsened Visteon's prognosis.

Visteon was created as a spin-off from Ford Motor Company in mid-2000. During that time, it has out-sourced some of its work to Mexico and other lower-wage countries. Between mid-2000 and the end of 2004, Visteon lost \$3.2 billion. In February 2005, Moody's Investors Service downgraded its credit rating of Visteon to Ba1, i.e., two levels below investment grade. In 2004, Visteon, which has a worldwide workforce of 70,000, sold \$24.5 billion worth of goods, of which a full 70% were sold to Ford.

When Visteon was separated from Ford, a very unusual agreement was reached by which Visteon virtually leases its workforce from Ford. Further, under this agreement, Ford agreed to rescue Visteon if it got into financial trouble. This became necessary in December 2003, as Ford decided to pay \$1.65 billion to cover the retiree benefits of Visteon's workforce. As Visteon's condition rapidly broke down this year, during the week of March 7, Ford agreed to pump an

additional \$369 million into Visteon. Ford made an agreement with the UAW whereby Visteon would pay the Ford workers at Visteon collectively \$25 million less per month. Ford will also spend \$150 million to acquire machinery and equipment for Visteon, because Visteon is unable to pay for needed improvements at its plants.

In an article in the *CarConnection.com*, "Visteon Faces Restructuring," author Joseph Szczensy made clear that Ford is not doing this out of altruism: Ford "executives have concluded Visteon is too important to Ford to fail or even go bankrupt." Were Visteon to fail, Ford would be crippled.

On March 16, the Van Buren Township, Michigan-based Visteon filed "revised" financial statements with the SEC, showing that it had understated its losses during the past four years, which brought its total losses to the full \$3.2 billion reported above.

Standard and Poors reported in its March 16 conference call that Ford likely will need to pump additional cash into Visteon this year.

The biting irony of the situation is that Visteon is being kept on life support with cash infusions by a Ford Motor Company, which itself is in critical condition. Ford finds it increasingly difficult to pay its \$170 billion in debt; its credit is headed toward junk bond status.

After Downgrade, GM Announces New Round of Cutbacks

After Standard & Poors announced its downgrade of General Motor's credit rating, Fitch, the second of the Big Three rating services, also downgraded GM, keeping it barely above junk bond status, the *Detroit News* reported March 17. In an internal e-mail to its 38,000 salaried, white-collar employees, GM announced that they will not receive merit pay increases this year, and that GM is reducing its matching contribution to these employees' pension plans by 60% starting April 1.

World Economic News

'A Whiff of Panic in the High-Yield Markets'

"End of the Party? Why the High-Yield Debt Markets Are Bracing for a Fall" is the title of a full-page feature in the *Financial Times* March 14, which begins, "Five years to the day after the peak of the last global investment bubble, signs that another one may be about to burst could be seen, ironically enough, in the telecommunications industry." But the problems with a company called Telcordia, and the problem two private firms had in issuing junk bonds to finance its takeover are not isolated; others are having similar problems. The credit boom of the past two years, which has encouraged highly leveraged takeovers and refinancings, may be coming to an end. "Everyone is wondering how long low interest rates can last," said the head of one investment advisory firm.

Last May, "there was a whiff of panic in the high-yield markets," and again in January, the article continues. Now, "the bears are getting louder," as yields are widening. The rest of the Times article is sort of a debate, between those who think that the increase in the volume of credit derivatives makes the system more resilient, and those who think it makes it more vulnerable to "a systemic collapse."

An article in *Neue Zuercher Zeitung*, Switzerland's financial daily, the same day, is also notable for the frequency of the use of the term "systemic crisis," in the context of discussing the speculative bubble. This article cites the 1998 Russian and LTCM crises, as leading to a meltdown of the settlement system in the U.S.

Bankruptcy Firms Prepare for End of Credit Boom

Bankruptcy firms are preparing for a global credit boom implosion, reported London's *Financial Times* on its front page March 14. The "global credit boom" of the recent few years, which emerged from the ultra-low prime rates set by leading central banks, is now about to come to an end. The previous week, in part sparked by the ongoing commodity price inflation, yields on U.S. Treasuries increased by the largest weekly margin in one year. While yields on ten-year bonds stood at 4.00% in mid-February, they have now surpassed 4.50%. Interest rates on all kinds of debt titles, including those on corporate bonds and mortgage credits, are going up in line with government bond yields.

The *Times* notes: "Unusually loose lending conditions have encouraged record borrowing by speculative-grade companies, with leveraged buy-outs and debt refinancing on both sides of the Atlantic generating more than \$100 billion of deals in the past eight months. But last week's fall in the price of U.S. Treasury bonds, coinciding with signs that bankers are struggling to complete riskier corporate bonds issues, has added to a sense of nervousness in some quarters." Some in the financial sector "fear the legacy of recent private equity buy-outs and hedge fund investments in distressed debt will be a swath of over-leveraged companies ill-equipped to survive in less benign conditions. PWC [PriceWaterhouseCoopers], the largest corporate recovery adviser, said it was hiring insolvency specialists in sectors such as retailing, utilities, and telecommunications in preparation for the expected fall-out."

A PWC bankruptcy expert is quoted, warning: "You only need one of these really big financing deals to go sour and confidence will evaporate very quickly." Chuck Prince, chief executive of Citigroup, says: "The possibility of a liquidity bubble around the world concerns me."

Asians Cannot Continue Financing U.S. Consumption

Asian savings cannot continue buying U.S. assets, another official of South Korea, the third-largest foreign holder of U.S. Treasuries, commented, Bloomberg wire service reported March 15. "There is widespread recognition that the ongoing trade imbalance between Asia and the U.S.—that is, Asian savings financing U.S. consumption—can't be sustained," Yoon Jeung Hyun, chairman of South Korea's Financial Supervisory Commission, told the Foreign Correspondents' Club in Tokyo.

United States News Digest

Senate Revolts Against Bush Cut in Medicaid

In a major blow to the Bush-Cheney regime, on March 17, seven Republican Senators voted against cuts in the Medicaid program—the only health insurance for America's poorest people. The vote, 52 to 48, stripped a provision from the budget resolution instructing the Finance Committee to cut \$14 billion from Medicaid over the next five years. The seven Republicans who crossed the aisle to vote with the Democrats and one Independent were: Gordon Smith of Oregon, the chief sponsor of the amendment; Lincoln Chaffee (R.I.); Norm Coleman (Minn); Susan Collins and Olympia Snowe (both Maine); Mike DeWine (Ohio); and Arlen Specter (Pa).

House Passes \$82 Billion War Supplemental

On March 16, the House passed, by a vote of 388 to 43, a supplemental appropriations bill to cover the costs of the wars in Iraq and Afghanistan through September 2005. While the House Appropriations Committee made some minor changes to the bill, some increases in military accounts, and decreases in international relations provisions, passage of the funding was

never an issue. But, the issue that dominated the debate was the unwillingness of the Bush Administration, and the Defense Dept., to submit to oversight. But that concern was not limited to Democrats.

Rep. Louise Slaughter (D-N.Y.), the ranking Democrat on the House Rules Committee, decried the Committee's rejection of an amendment by Rep. John Tierney (D-Mass) that would have established a select committee in the House to investigate fraud and abuse in contracting in Iraq, including an audit report recounting the failure of the Coalition Provisional Authority to properly account for \$9 billion in Iraqi funds that it spent. Slaughter pointed out that the House spends much of its time renaming post offices and honoring foreign dignitaries and athletic successes. "If we have enough time for that," she said, "we certainly have enough time to track down \$9 billion that the administration seems to have misplaced." Rep. David Obey (D-Wisc), the ranking Democrat on the Appropriations Committee, warned the House that the Democrats would no longer support such supplemental spending bills "if we do not have adequate oversight and we do not have adequate information on the part of the administration."

Rep. Jim Leach (R-Iowa), who not only endorsed Tierney's amendment from the floor, but is cosponsoring a stand-alone bill with Tierney that does the same thing, told the House, "I personally believe that the only way you can maintain support for national policy, however controversial, is to have complete confidence that things are being pursued in the most honest way possible." Tierney's amendment was allowed to go to the floor, but was declared out of order because it constituted legislation on an appropriations bill.

Senate Panel: Pinochet Had 125 Accounts in U.S. Banks

The Senate Permanent Subcommittee on Investigations released a report, on March 16, which documents that Chilean fascist dictator Augusto Pinochet had more than 125 bank accounts at a half-dozen U.S. banks, including Citibank and Riggs Bank, during the 1990s. Pinochet, who was brought to power in 1973 by George Shultz and Henry Kissinger, and who maintained a close relationship with them in succeeding decades, maintained a "secret web of accounts," using false identification papers under fake names.

According to the report: "Some banks actively helped him hide his funds; others failed to comply with U.S. regulations requiring banks to know their customers." Pinochet, his son Marco Antonio and his business adviser Oscar Aitkin opened so many accounts, and transferred funds between them so often, that the money attracted "little or no notice from U.S. regulators or law enforcement."

Pinochet's relationship with the Riggs Bank encompassed 28 accounts spanning 25 years, including secret accounts opened under misleading names.

From 1981 to 2004, eight Riggs accounts, opened in the names of Chilean military officers, served as conduits for Pinochet funds.

Over the past 25 years, Riggs Bank, Citigroup, Banco de Chile-United States, Espirito Santo Bank in Miami, and others helped Pinochet hide an estimated \$13 million or more in funds.

Citigroup opened 63 accounts for Pinochet and 19 for family members, as well as making large loans for him and his relatives. The bank, which controls a large share of the private accounts set up in Chile and other Ibero-American nations after the privatization of social security in Chile in 1981, only began to close its Pinochet accounts in 1995, when a bank employee in Miami found that Pinochet created an account under the name of Jose Ramonte Ugarte, using a passport with a disguised picture of Pinochet!

Torture Scandals May Derail Haynes Nomination

President Bush's re-nomination of Pentagon General Counsel William Haynes to the 4th Circuit U.S. Court of Appeals in Richmond, Va., is one of seven nominations that Senate Democrats are threatening to filibuster. Last year, Sen. Edward M. Kennedy (D-Mass) blocked the Haynes nomination from proceeding to the Senate floor. Haynes was directly involved in formulating U.S. detention and interrogation policies, and he was directed by Defense Secretary Donald Rumsfeld to establish the Pentagon "Working Group" on interrogations in the Spring of 2003, which adopted the policies set forward in the most infamous of the DOJ "torture memos." As we reported in the March 18 issue of *EIR*, military lawyers were frozen out of the deliberations of the "Working Group."

The March 21 *Newsweek* also says that a classified version of last week's Pentagon report refers to still-secret memos and other material that could raise news problems for Haynes. White House aides are said to be worried that the Haynes nomination is in serious trouble, and one senior GOP Senate source is quoted calling it "DOA" ("dead on arrival").

EIR has learned that some of those involved in fighting the Haynes nomination, in anticipation that this would be the next venue to air the torture allegations, are not yet certain it is dead. Sources previously told *EIR* that the Judiciary Committee had planned to hold Haynes' nomination hearing on March 8, but it was delayed after committee chairman Arlen Specter (R-Pa) ran into trouble on his first nomination hearing, the one which he had expected to be the easiest.

Three European Countries Investigating U.S. Renditions

Germany, Italy, and Sweden are each investigating abductions of persons in their countries believed to have been carried out by U.S. agents, usually said to be CIA, as part of the so-called war on terrorism. All three cases have been previously reported. European parliamentarians and prosecutors are asking whether the U.S. practice of abducting suspects and taking them to third countries where they are tortured, is a blatant violation of their nations' sovereignty and human rights, according to the *Washington Post* March 13.

In the Italian and German cases cited, it is reported criminal charges are possible.

The three investigations are:

* Italy: An Egyptian-born Islamic cleric was kidnapped in Milan in February 2003, and apparently taken to Cairo where he was jailed and tortured. Italian investigators are demanding flight records from Aviano air base, and logs of vehicles entering and leaving the joint U.S.-Italian air base at the time of the abduction. The Italian daily *Corriere della Sera* has reported that investigators have identified 15 agents, some of whom are CIA operatives, as involved in the abduction. Opposition parliamentarians are demanding answers from the Berlusconi government as to whether Italian intelligence services also played a role.

* Germany: As we have previously reported, prosecutors are investigating the December 2003 abduction of a German citizen, Khaled al-Masri, who was abducted in Macedonia and apparently taken to Kabul and Baghdad. German prosecutors say that al-Masri's story checks out, and they have asked for assistance from U.S., Macedonian, Albanian, and Afghan officials.

* Sweden: A parliamentary investigation has found that CIA agents, wearing hoods, orchestrated the abduction of two Egyptian nationals in December 2001; they were taken to Egypt and tortured in prison. It has been disclosed that Swedish authorities had secretly invited the CIA to assist in the operation.

New Report Shows Iraqi Weapons Sites Were Looted

The global threat supposedly posed by Iraq's high-technology "dual use" weapons and machinery production sites, was offered as a reason Iraq had to be invaded in Spring 2003, but those sites were left unguarded by U.S. troops after the invasion and fall of Saddam Hussein, and were thoroughly looted by organized gangs. This, according to a new report by the Interim Iraqi Deputy Defense Minister, Sami al-Araji, who said, "They came in with the cranes and the lorries, and they depleted the whole sites.... This was sophisticated looting." A UN report only one week ago put the number of such looted precision-equipment sites at 90; this was based on studies of satellite imagery by the IAEA and UNMOVIC—since neither of those organizations has been allowed in Iraq by the U.S. occupation since the invasion. Dr. Araji's report added details, and some new sites, according to a front-page article in the *New York Times* March 13.

The peak of the looting of these sites—including some where intermediate-range missile parts could be made, and others involving nuclear technology—was in May 2003, Dr. Araji reports, when U.S. and British troops had complete military control, but not enough forces for the occupation.

Ibero-American News Digest

Who's Out To Blow Up the Lula Government?

Veja magazine, one of Brazil's leading national weeklies, set off a stinkbomb under the Lula government in its March 16 issue, when it ran a cover story on allegations that the Colombian narcoterrorist FARC financed President Lula da Silva's Workers Party (PT) party in the 2002 elections, which put him in office.

The story is based on purported documents of the Brazilian Intelligence Agency (ABIN), which detail discussions at an alleged April 2002 meeting between 30 or so PT'ers and the FARC's infamous "ambassador" to Brazil, Oliveira Medina, where Medina is said to have offered \$5 million to help the PT's election campaign. The money was to be conduited through Trinidad and Tobago, to 300 "small businesses," and then given to PT candidates.

Radical elements of the PT do have ties to the FARC, but the *Veja* story takes aim at the Lula government itself, which refused to play the role of FARC protector, as some Jacobins had hoped it would. While the Lula government has yet to break from its firm adherence to an IMF policy domestically, it is rightly viewed by financiers as far from secured on their sinking Titanic. How interesting that now, as the system is coming down, someone decides to leak a purported investigation from two years ago.

Veja admits in the article that no FARC financing was ever confirmed, adds that the ABIN has often been wrong, but demands an investigation. The Brazilian Social Democratic Party (PSDB) of Lula's predecessor, Fernando Henrique Cardoso, didn't look a gift horse in the mouth, and has demanded Congressional hearings, while threatening to set up a Parliamentary Inquiry Commission (CPI), with subpoena powers, to look into PT-FARC ties. PSDB Senator Tasso Jereissati warned on March 14 that if the report were confirmed, "there will be an institutional crisis," given that the FARC is the most violent and criminal movement in Ibero-America.

The PT issued a furious denial of what they consider a black operation. The PT Secretary of International Relations, Paulo Ferreira, pointed out that the PT won the hatred of the FARC, when it supported a resolution calling for the Colombian guerrillas to be excluded from international meetings. Influential PT Sen. Aloisio Mercadante said he doubted that the financing had occurred, but should anyone in the PT were found to be involved, they would be expelled.

Brazil Enters the Global Financial Whirlwind (Again)

J.P. Morgan jacked up Brazil's country-risk rating by 7% over a three-day period, such that, by March 16, it was set at 430 basis points. Thus, the government and companies now have to pay a minimum premium of 4.3% over the cost of U.S. Treasury bills, on new bond issues. Other foreign financier agencies also lowered the ratings on Brazilian debt at the beginning of March, citing the increasing danger of capital flight from the developing sector generally.

Under new Central Bank regulations which went into effect on March 14, Brazil is more vulnerable to capital flight than ever. Limits as to the amount of money which can be sent out of the country were removed, along with requirements for documentation as to the source of the money. "What is underway, in a few words, is the legalization of capital flight," economist Paulo Nogueira Batista, Jr. warned on March 11 in a *Jornal do Brasil* op-ed.

On March 16, the Central Bank also raised the benchmark interest rate by another 0.5%, to 19.25% a year. The average interest rate for consumers is now estimated at the fine usurious rate of over 147% a year, and for businesses, at 73.52% a year.

Chile Warns Against 'Regime Change' in Venezuela

Having learned precisely nothing from the strikingly unified South American response to the Colombia-Venezuela crisis this past January, the Bush Administration is escalating its campaign against the Venezuelan government of Hugo Chavez.

Undersecretary of State for Latin American Affairs Roger Noriega's March 9 testimony before a U.S. Congressional committee typifies the drumbeat coming out of Washington, that Venezuela's neighbors are expected to do things Bush's way. "We want Venezuela's neighbors and others in the region to understand the stakes involved and the implications of President Chavez's professed desire to spread his 'Bolivarian' revolution," Noriega warned. "Should the U.S. and Venezuela's neighbors ignore President Chavez's questionable affinity for democratic principles, we could soon wind up with a poorer, less free, and hopeless Venezuela that seeks to export its failed model to other countries in the region."

That Ibero-Americans have a very different view of how to handle Chavez, was reflected in the March 9 address by Chilean Foreign Minister Ignacio Walker at the Inter-American Dialogue headquarters in Washington. Walker warned the Bush Administration that "isolating and punishing" the Chavez regime simply "won't work.... I would tell my friends of the United States to avoid simplistic opinions. Sometimes, we find much rhetoric, a lot of simplistic opinions that don't take into consideration the true complexity of the process." We should help Venezuela along the paths of law, human rights, and democracy, said Walker, adding: "We are going to find these paths with Venezuela, and not against Venezuela."

Argentina Tells IMF To Shove It

"Your advice isn't needed," President Nestor Kirchner told IMF Managing Director Rodrigo Rato on March 15, after Rato ordered the Argentine President to lay down rules which are "clear and respectful" of foreign investment and "private property." Referring to Kirchner's announced boycott of Royal Dutch Shell, and subsequent fines imposed on both Shell and Esso for raising gasoline prices, Rato indicated on March 14 that, "of course," Argentina's "respect" for private looting would be a conditionality of any future accord with the Fund.

Kirchner wasn't having any of this. He told an audience gathered at the Casa Rosada on March 15, that "after everything that's happened to us with the Fund, I will say this with restraint: We are an independent nation which knows how to govern itself, and this advice is unnecessary. We want investment from all over the world, but we *don't* want this type of tutelage." Kirchner pointedly stated, "we have had Oriental-style patience." Rato could spend his time more usefully "thinking about how to really help Argentina.... Let us see if Dr. Rato can show a gesture of solidarity with this population

which is moving forward by itself; let's see if, once and for all, he can make a gesture of reconciliation with the country, which has suffered for so long...."

New Uruguayan Foreign Minister Pushes Ibero-American Integration

"To have a clear idea of what I am thinking: I believe we are living through an exceptional historical moment; this is the richest continent on the planet; it has absolutely everything: oil, gas, cattle, fish, minerals, food. I have described as 'infamous' the fact that in a continent with such wealth, that of 400 million inhabitants, 200 million are living in poverty. It is an insult to the dignity of man," Uruguayan Foreign Minister Reinaldo Gargano told French daily *Liberacion* in a Feb. 4 interview, prior to his assuming office on March 1, with the assumption of the Tabare Vasquez government. Gargano is a former Senator and head of the Socialist Party of Uruguay, and he has made clear in a series of interviews, that he intends to foster the integration of Ibero-America.

Asked by *Liberacion* to comment on the failures of the outgoing government, Gargano instead observed that in the 1990s, his movement factionalized within the leftist Frente Amplio coalition for "the concept that the process of Latin American integration has to take place above and beyond the governments in power, with the understanding that they will necessarily change," through the process of integration itself. Mercosur was a good first step, "to then be extended to all of South America and Latin America, if possible." Yet, under the outgoing government, "Uruguay didn't even seem to be committed to the South American Community of Nations, launched in Peru last December, which was the work of 15 years!"

Asked what his mission as Foreign Minister will be, Gargano answered that he expects to achieve "decisive steps" from which there will be no turning back in the march toward Ibero-American integration. To deal with the neoliberal legacies of previous governments, the countries of Uruguay, Brazil, Argentina, Chile, he said, need more than the palliatives of import substitution, or "zero hunger." Rather, they—and the rest of the continent—need "sustained economic development," defined as "gaining a quality of life, producing manufactures, cars, point technology, capital goods, South American infrastructure that can go from the Pacific to the Atlantic, from the Caribbean to Tierra del Fuego, the whole continent. We must begin there...."

Operation Condor Pedophile Ring Busted

Nazi pedophile Paul Schaefer, a key cog in the Operation Condor apparatus exposed in this week's InDepth section, was arrested in Argentina and deported to Chile on March 13. A fugitive for nine years, former Nazi SS officer Schaefer is wanted in both Germany and Chile on charges of pedophilia, as well as for crimes of murder, kidnapping, torture and disappearances which took place at his protected "Colonia Dignidad" in Chile. The latter was the site of a cult of German-Chilean citizens (themselves victimized by Schaefer and his lieutenants) at which Augusto Pinochet's secret police, the DINA, set up an intelligence brigade, trained its agents, and tortured and murdered captured opponents.

Schaefer arrived in Chile in 1961.

Between 1968 and 1999, Chilean state agencies and Congressional committees produced at least 18 investigative reports on the brutal workings of Colonia Dignidad, in addition to others issued by the German Bundestag. Yet throughout this period—particularly under Pinochet—Schaefer's Colonia Dignidad operated with impunity and received state subsidies, protected by a broad network of politicians, judges, military, and others, which former Chilean police intelligence agent Luis Hernandez warns is still "intact" today, although in weakened form. Schaefer was an intimate of DINA chief Gen. Manuel Contreras, for whom he reportedly laundered money, and kept large sums of money deposited in several offshore banking centers.

Western European News Digest

Italy To Withdraw Troops from Iraq; Ukraine Follows Suit

Italian Prime Minister Silvio Berlusconi, who has made clear that he intends to seek re-election in 2006, pointed to rising public discontent with Italy's presence in Iraq, especially following the recent checkpoint tragedy in which an Italian secret service agent, Nicola Calipari, was killed. "I've spoken about it with British Prime Minister Tony Blair, and it's the public opinion of our countries that expects this decision," he said.

Berlusconi told ANSA news agency, "In September, we will begin a progressive reduction of the number of our soldiers in Iraq," adding the caveat that the withdrawal would be tied to the Iraqis being able to secure Iraq.

Italian deputies voted by a large majority March 15 to maintain Italy's 3,000 troops in Iraq for another six months, reflecting the approval of the Senate in February. Currently Italy has the third-largest troop deployment in Iraq, after the U.S. and Britain.

The following day, March 16, after a call from President Bush, Berlusconi tried to backtrack, emphasizing that the withdrawal is contingent on successful training of Iraqi troops. The backtrack was widely attacked in Italy as a capitulation to the U.S., at a time of intense anger in Italy over the U.S. military killing of an Italian intelligence official in Iraq.

Rumblings of a Grand Coalition Government in Germany

The former Christian Democratic Governor of Baden-Wuerttemberg, Lothar Spaeth, expects a grand coalition government to emerge in Germany. At a semi-official event of 30 people, Spaeth, who in 1990, was chairman of Jenoptik, the biggest optical company in former East Germany, forecast a grand coalition government between the Social Democrats (SPD) and Christian Democrats (CDU). He expressed a growing assessment, that with the Greens in government, it is completely impossible to solve Germany's economic crisis.

Therefore, he expects a revolt within the SPD labor faction against the Greens, which will erupt around the Greens' so-called "anti-discrimination law," which sets hiring quotas for new employees among minorities (e.g., homosexuals, foreigners, etc.). This will be rejected by the SPD, which may lead to the rupture of the red-green coalition.

In general, Spaeth reflects the saner view inside Germany's elite. "Can we allow reduction of ancillary expenses for the wages [i.e., withholdings by both employers and employees for benefits]?" Spaeth asked, rhetorically. "No, we can't, because if we do that, we would destroy our public pension system!" As for the solution, Spaeth said, "We have to double the productive profit generation per capita, and this is only possible with a massive investment in science and technology." He strongly supported nuclear energy and the development of new raw materials ("We can replace any working material today by something else!")—also he was very clearly in favor of a strategic partnership with Russia, China, and especially the Islamic world, praising Schroeder's trip to the Arabian Peninsula. In this context he wants Turkey in the EU—and very emphatically he argued against any "clash of civilization" policy, accusing the Bush Administration of a new Crusade, which will ultimately bring the West down.

Journalist Echoes BueSo in Defending 'Social State'

In a politically well-calculated move, one week before Chancellor Helmut Schroeder's unemployment summit, Heribert Prantl of *Sueddeutsche Zeitung* released a book in Berlin March 14, titled, *The Destruction of Social Justice*.

The author strongly defends Article 20 of the German *Grundgesetz* (Constitution), which declares the nation to be a social state; and Article 14.2, which declares private property to be an obligation to serve the general welfare. This open defense of the Constitution is especially important in light of Olaf Henkels, Arnulf Barings, and other German neoconservatives' ongoing attacks on the German Constitution. Up to the present time only the newspaper *Neue Solidaritaet*, the paper of the party, *Buengerrechtsbewegung Solidaritaet* (BueSo), headed by Helga Zepp-LaRouche, wife of Lyndon LaRouche, the former 2004 Democratic presidential primary candidate, has made this argument.

The book was presented by a judge from the constitutional court, who in 2004, had questioned the constitutionality of the Hartz IV austerity laws. A new front line is opened up with this, in defense of the social state and the Constitution.

Cheminade Calls for a 'No' to the European Constitution

Jacques Cheminade, head of the LaRouche Movement in France (*Solidarité and Progres*), issued a statement at the beginning of March, which is being widely distributed, on why his party is resolutely against the proposed European Constitution, which would impose a financial dictatorship over the sovereign nations of Europe.

Among the reasons outlined by Cheminade are:

- 1) Under the proposed Constitution, Europe would be subject to free competition, i.e. a financial dictatorship.
- 2) Reference to a "social market economy" is replaced by "an open market economy with free competition." The word "market" appears 78 times, "competition" 27 times, and "social market economy" only once!
- 3) The European Central Bank System, led by the European Central Bank, has one and only one objective: "price stability." It is forbidden for any national government or European institution to try to influence the ECB. This ushers in a financial dictatorship, free from any political overview or control by the citizens.
- 4) It eliminates "restrictions on both movement of capital and payments between member States and between member States and third countries." The free flow of capital, i.e., the law of the jungle, is protected by the Constitution.
- 5) The principle according to which the European budget must be balanced is made perpetual. Public stimuli are banned!
- 6) Public services and utilities are subject to the primacy of the "rules on competition." Without state aid, public services will have to finance their own costs; to survive, they will have to increase prices or reduce their offer. That means social austerity.
- 7) Concerning defense, mutual aid between member States is subordinated to "commitments under NATO. The purpose of this is not to defend Europe, but to allow interventions "outside the Union."

The statement of Cheminade then presents his proposals for the future of the European Union, notably investments in great infrastructure projects and fundamental research, abolition of at least some articles of the Maastricht Treaty, national banking systems for the respective member States, and a New Bretton Woods system.

Schroeder Fantasy: Calls for Growth *and* Austerity

The special address that Chancellor Gerhard Schroeder delivered to the German Parliament on March 17 contained positive aspects, such as more loans, at lower interest rates, for the *Mittelstand* (small and medium-size industries), and an infrastructure construction program with the main emphasis on highways. Schroeder also made reference to the deep shock that is still felt by many over the immense loss of money in the New Market (high-tech) crash two years ago, and warned of the drastic effects which the oil price increase is having.

But the Chancellor unfortunately defined Agenda 2010 as the framework for his program and defended budget-cutting reforms such as Hartz IV as necessary and positive. The German economy has begun its recovery, Schroeder claimed, pointing to the export boom, adding that he categorically opposes people painting the economy in dark colors. The official record-high in unemployment of 5.2 million jobless, is, naturally, reason for deep concern, he said, but rather than scrapping the austerity program associated with Hartz IV, he offered a series of slight changes to alleviate some of the pain.

In a first response to the Chancellor's Bundestag speech, Juergen Peters, chairman of the metal workers union (Germany's largest labor union), said there are some meaningful points in the speech, like the measures to create incentives for infrastructure, the housing sector, and new concessions for the long-term unemployed.

But, Peters added, the scope of the measures is much too small: Instead of the Chancellor's 2 billion euro program, Germany needs to spend 20 billion, annually, over a period of several years. Peters said the funding should mainly be organized through the Kreditanstalt fuer Wiederaufbau, with longer-term, low-interest loans, and the main emphasis should be put on municipal and other public infrastructure projects.

Russia and the CIS News Digest

Putin in Europe

Russian President Vladimir Putin arrived in Paris March 18 for bilateral talks with French President Jacques Chirac, and their quadrilateral summit with German Chancellor Gerhard Schroeder and Spanish Prime Minister Jose Luis Rodriguez Zapatero. Expected Franco-Russian agenda items include the promotion of aerospace projects, especially the launch of Russian rockets from France's Kourou launch site, and the participation of French business in the Russian energy sector. Paris seeks to promote two projects: development of a regional passenger plane and production of Renault cars in Russia. Moscow seeks France's support in receiving EU approval for a new generation of Russian passenger planes, which will open European skies to Russia.

Stand-Alone Meeting of 'Strategic Triangle' Nations Planned

The Foreign Ministers of China, India, and Russia will meet in Vladivostok in June, Indian Foreign Secretary Shyam Saran said March 11 during a visit to Moscow. Next month, the three nations will hold a "business" meeting in New Delhi. "This would be for the first time a stand-alone trilateral meeting and this adds certain significance to it. Earlier, three such meetings were held on the sidelines of UN General Assembly and CICA in Almaty," Saran said. He did not rule out, that part of the economic and commercial cooperation of India, China, and Russia could include joint work in the development of Central Asian energy resources. Saran met with Russian Foreign Minister Sergei Lavrov and First Deputy Foreign Minister Valeri Loshchinin.

Russian Chief of Staff in China

General Yuri Baluyevsky, chief of the General Staff of the Russian Armed Forces, began a six-day trip to China and South

Korea on March 16. It was his first trip abroad since assuming his post last year. The Russian Defense Ministry announced that Baluyevsky would discuss military and military-technical cooperation and international security with both nations. In Beijing, preparations for the first-ever Russian-Chinese military exercise were also on the agenda. The maneuvers will most likely be held in Fall 2005, on Shandong Peninsula in China, and in the bordering Yellow Sea, and will involve airborne troops, long-range and front-line aircraft, and Russia's Pacific Fleet, practicing "a joint peacekeeping operation," as well as anti-terrorist actions.

In Seoul, beginning March 20, Baluyevsky was to meet South Korean Defense Minister Yuun Kwang Woong and joint chiefs of staffs chairman Kim Jong Hwan.

Russia 'Closely Watching' Responses to Maskhadov's Death

In a Mar. 11 statement, the Russian Foreign Ministry Information and Press Department said that Moscow is "closely watching" international commentaries on the death of Chechen separatist leader Aslan Maskhadov. The statement attacked commentaries calling Maskhadov a "moderate separatist leader," or a now lost "potential negotiating partner" for Moscow. The Foreign Ministry accused Maskhadov of complicity in the Nord-Ost theater and Beslan school terrorist attacks, mentioned video evidence of his planning new such actions, and noted that it was under his Presidency that Shamil Basayev in 1999 launched a drive to create "a caliphate from the Black Sea to the Caspian," by invading Dagestan. "Basayev and Maskhadov are persons of the same order," the statement said. Now, it continued, Chechen separatists living abroad are threatening Russia with new acts of terrorism, while "the politicians of the countries that gave them asylum, pretend not to notice or understand those threats," though they give lip service to "combatting international terrorism"—a reference to Britain and the USA.

Russian Reserves Zoom; Debate Surges Around Petrodollars

Gold and currency reserves held by the Russian Central Bank stood on March 4 at \$134.4 billion—75% higher than their Jan. 1, 2004 level of \$76.9 billion. Above a certain level, surpluses collected by the Central Bank, mostly derived from taxation of crude oil export earnings, are channelled into a Stabilization Fund, administered by the Ministry of Finance. From Jan. 1 to March 1 of this year, the Stabilization Fund grew by 35%, to a level of 707.5 billion rubles (\$25.8 billion).

The Russian government has reopened discussion about spending these funds, seen as a dead weight on the Russian economy, unless invested. Finance Minister Alexei Kudrin has advocated spending the Stabilization Fund exclusively for foreign debt reduction; recently, for example, Russia paid its entire IMF debt ahead of schedule. *Izvestia* of March 11 reported that Minister of Economic Development and Trade German Gref has prepared a compromise between Kudrin's position and the desire of Prime Minister Mikhail Fradkov to invest part of the Stabilization Fund inside Russia. Gref's ministry reportedly wants to cap the Stabilization Fund at its current level, then Gref himself would head a new Investment Fund, with power over new surpluses that accrue. *Izvestia* said that the Ministry of Transportation has a list of priority projects for such investment: high-speed rail and road links between Moscow and St. Petersburg; airport renovation in Moscow and Novosibirsk; and a bridge across the Volga River at Volgograd. The Ministry of Information and Communications reportedly has an alternative list of projects.

The timeliness of infrastructure investment was underscored at a recent conference on Russia's roads, held near Moscow. RBC news agency reported from that event, that funding for road construction fell by two-thirds over the past four years, especially after the 2003 abolition of regional road-repair funds that collected earmarked taxes. Now 80% of Russia's 600,000-kilometer national road network fails to meet basic standards and that portion will reach 95% by 2010, without investment.

Also suffering from lack of investment is the Russian oil industry itself, where privatized oil companies have neglected

new exploration and development. A new estimate by the International Energy Agency (IEA) suggests that Russian oil output will rise by only 3.8% this year, as against 9% in 2004 and 11% in 2003.

Russia Limits Foreign Takeover of Raw Materials

Russian Deputy Ministry of Natural Resources Anatoli Temkin confirmed Mar. 16 that the government's new draft law on mineral resources "rules out the involvement of foreign citizens and entities in possible minerals development," RIA Novosti reported. Instead of the previous leasing and licensing system, he said, raw materials exploitation will be done on a contract basis, with the Federal government retaining ownership. Bidders for contracts must be residents of the Russian Federation, Temkin said, although "we don't care where the users of minerals get the money." The Russian cabinet reviewed the draft law March 17.

Chubais Survives Assassination Attempt

One of the highest-level assassination attempts on Russia's tumultuous political and business scene took place March 17, when a remote-controlled car bomb exploded, followed by automatic weapons fire from two assailants, in an ambush of Anatoli Chubais on the Minsk Highway as he drove towards Moscow. Chubais's vehicle was heavily armored, and members of his security detail were able to return fire. The attackers escaped, while Chubais proceeded to Moscow and gave a press conference. Chubais stated that he knew who was after him, without giving details. Later, a retired military man was detained for questioning, though commentators noted that this may have been a false lead.

Chubais is one of the most hated men in Russia, for his role as a "young reformer" in privatizing Russian industry and suppressing the standard of living in the 1990s. For the last several years, Chubais has been active in the Union of Right Forces (SPS) political party, while working as CEO of United Energy Systems (UES), the Russian national electric power utility.

SPS colleagues of Chubais, among them Boris Nemtsov, were quick to charge that the assassination attempt was politically motivated. But there is just as much reason to suspect that it had to do with current, intense battles for control of Russia's energy sector. It was recently rumored on the website kompromat.ru, that Chubais was slated to be eclipsed at UES by people in the service of one faction of the Kremlin staff. Apart from that unconfirmed report, there is also ample evidence that Chubais has incurred the enmity of regional and corporate officials, by his ruthless fee-collection techniques, and that he has clashed with powerful criminal clans, in the course of his drive to expand UES control of electric power facilities in CIS countries.

Ukrainian Foreign Minister Visits Washington

Foreign Minister Borys Tarasyuk of Ukraine came to Washington March 11 to prepare an April visit by President Victor Yushchenko. He conferred with Secretary of State Condoleezza Rice, National Security Advisor Stephen Hadley, and Vice President Dick Cheney. While being praised for Ukraine's turn to the West, and its bid to join NATO and the WTO, Ukraine nonetheless began its announced pullout from Iraq on March 12, intending to have all 1,650 Ukrainian troops out by October. Tarasyuk also told the *Washington Times* that the turn to the West would not come at the expense of relations with Russia.

Westerners Challenge Kyrgyzstan Elections

After Parliamentary elections held Feb. 27 and March 13 in Kyrgyzstan awarded a majority to candidates linked with President Askar Akayev, U.S. Ambassador Stephen Young denounced the vote as having been marred by harassment of

the independent media, government interference in the campaign process, and media bias towards pro-government candidates. He also charged that there had been vote-buying on both sides. "These negative tendencies have damaged Kyrgyzstan's reputation for promoting democracy," the ambassador said. Young cited protest demonstrations in various parts of Kyrgyzstan as "a sign that many Kyrgyzstan citizens felt disappointed by the government failure to run a truly free and fair and transparent process." Commenting on these events on March 16, the *Neue Zuercher Zeitung* noted that the protest movement lacks solid backing from the population.

Southwest Asia News Digest

Lebanon's Maronite Patriarch Calls for Peace with Syria

Cardinal Nasrallah Sfeir, the Maronite Catholic Patriarch of Lebanon, made a visit to Washington, D.C., during which he gave an interview to *EIR*, in which he stressed that he wants peace with Syria and all Lebanon's neighbors. Patriarch Sfeir said he sees the 1648 Peace of Westphalia as the approach to be taken in Lebanon. After meeting with President George W. Bush on March 16, Sfeir, who is the spiritual leader of the Lebanese Christian community, held a separate press conference in which he called on the anti-Syria opposition in Lebanon to cease calling for the ouster of President Emile Lahoud.

The Patriarch's intervention is a strategic development, which counters inflammatory statements and actions by Lebanese "democracy" forces, who are being egged on by Condoleezza Rice's State Department, and neo-con warmongers run from Vice President Dick Cheney's office, to use Lebanon as the springboard for the next Syrian war.

See the [Commentary](#) in this week's "InDepth" for excerpts from the interview with Cardinal Sfeir, which will appear in full in an upcoming *EIR*.

Former Lebanese PM Blasts Opposition Demands

Former Lebanese Prime Minister Salim Hoss urged opposition "exaggerators" to stop their unlimited escalation—such as Druse leader Walid Jumblatt's demand that Lebanese President Emile Lahoud resign—stressing that their bet on the support of a superpower will not benefit the country. According to the *Daily Star* of March 19, Hoss said: "In the presence of a superpower like the United States, or another like France or the United Nations, they found an opportunity to squash the other party in Lebanon out of greed to monopolize the rule. This is the logic of the winner and the loser which will endanger the survival of coexistence in Lebanon..." The reference to the "logic of the winner and the loser" is widely accepted as one of the causes of the prolongation of the civil war of the 1970s and 1980s. Referring to the opposition's refusal to serve in a unity government, Hoss said, "They are shunning national unity for the sake of instantaneous goals and illusions."

Hoss, whom many Lebanese would support as a interim Prime Minister, said he was not trying to defend President Lahoud, but coexistence in Lebanon. These exaggerators "are dragging the country to a political vacuum," he said. Hoss added that since there was basic agreement on implementing the Taif Accord, which does open the way for a Syrian withdrawal, the political process should move forward. "Thus, we can turn the page of this open destructive conflict and take the bickering from the streets to constitutional institutions where it can be dealt with in a civilized way."

Congress Passes Anti-Syria Resolution

In total disregard for the interests of the people of Lebanon, the U.S. House of Representatives passed House Resolution 32, an incendiary statement that condemns Syria for "continuing gross violations of human rights and civil liberties," in

both Syria and Lebanon. The resolution, reported in the Lebanon *Daily Star* of March 19, was sponsored by Rep. Ileana Ros-Lehtinen (R-Fla), who also sponsored the Syria Accountability Act. This new resolution calls for Bush to "freeze all assets in the United States belonging to Lebanese government officials who are found to support and aid the occupation of Lebanon by the Syrian Arab Republic."

At the very point that Lebanese leaders of the true opposition—not the neo-con paper cutouts modelled on Iraqi crook Ahmed Chalabi—are working intensely on national unity, including the participation of Hezbollah in the Parliament (where it already won 12 seats), the House, led by right-wing thug Tom DeLay (R-Texas), is acting to trigger a civil war. Ros-Lehtinen works closely with the neo-con warmongers, and also supports the Iranian terrorist group, Mujaheddin al-Khalq, as a U.S.-backed vehicle for sabotage and overthrow of the Iranian government.

Is AIPAC Getting Ready for Indictments in Spy Case?

According to a report in the Jewish weekly *Forward* March 18, two officials of the American Israel Public Affairs Committee (AIPAC), implicated in the Department of Defense-Israeli spy case, have gone on paid leave. The two officials, Steve Rosen and Keith Weissman, are being investigated for conspiring to acquire classified documents to pass on to the Israeli government. Defense Department employee Larry Franklin, who worked closely for neo-con Undersecretary Douglas Feith, is also under investigation.

The case first surfaced in August 2004, when AIPAC's offices were raided by Federal authorities in the course of the investigation, which is now before a grand jury.

Sharon Gives Orders To Attack Iran

The *Sunday Times* of London March 13 "leaked" the fact that Israeli Prime Minister Ariel Sharon's government has approved plans for a strike against Iran, with the blessing of Bush Administration officials.

The *Times* wrote that Sharon's inner cabinet gave the "initial authorization" for an attack during a private meeting at Sharon's ranch last month: "Israeli forces have used a mock-up of Iran's Natanz uranium enrichment plant in the desert to practice destroying it. Their tactics include raids by Israel's elite Shaldag (Kingfisher) commando unit and airstrikes by F-15 jets from 69 Squadron, using bunker-busting bombs to penetrate underground facilities."

"The plans have been discussed with American officials who are said to have indicated provisionally that they would not stand in Israel's way if all international efforts to halt Iranian nuclear projects failed."

The *Times* is notorious for serving as a leak sheet for the Mossad, and this report is nothing less than a statement of intent by Sharon and his supporters in the Bush Administration to attack Iran. The reference to a meeting on Sharon's ranch in February, is most likely the same meeting where Sharon and Israeli Defense Minister Shaul Mofaz decided to purge the top leadership of the Israeli Defense Forces. In February, Sharon placed, in top military positions, his hand-picked "Doctor Strangeloves," who will follow him into his new war.

The *Times* report stands in apparent contradiction to recent statements from Bush Administration officials that imply a softening of the U.S. position vis à vis Iran, and a greater willingness to back European efforts to negotiate a solution to the crisis. However, it is known that the neo-con grouping headed by Vice President Dick Cheney have long backed an attack on Iran as part of their so-called "Clean Break" strategy, named for the mid-1990s policy paper drafted for Netanyahu government; the Clean Break document is now the active policy blueprint for Israeli hawks and for the Cheney neo-cons, who, as the *Times* article implies, await either the failure of negotiations with Iran, or some other staged

provocation, to launch new wars.

However, it is also known that sane sections of the U.S. military and intelligence establishment desire no such attack—either by the U.S. or Israel—for fear of a wider war, and its impact on U.S. troops in the region.

With his unprecedented consolidation of his top-down control of the military-security establishment, Sharon will have no resistance from within the military brass to his wild designs for a new war. One British Middle East specialist warned that Sharon could be preparing for a Gaza bloodbath; since there is no room for political negotiations with the Palestinians in Sharon's phony unilateral disengagement plan, it is only a matter of time before Sharon launches a major assault on the Gaza Strip to wipe out the militant Palestinian Hamas organization.

"Unlike in the past Sharon will now have a totally unified command to carry out a bloodbath in Gaza," the source said.

Israel Not Interested in 'Democratizing' Middle East Regimes

The danger of an attack on Iran, Syria, and Lebanon by Israel actually increases, if these countries actually become "more democratic," as demanded by the Bush Administration, according to sources in Europe and Washington. The Iraqi election has not helped U.S.-Israeli agreement on this issue, they point out.

In the case of Iraq, "the Israelis are studying a secret memorandum on the teachings of Iraqi Shi'ite Grand Ayatollah Ali Sistani," a well-placed Muslim expert on the Middle East told *EIR*, "and they are alarmed that the U.S. invasion has not given Israel a regime that is 'more friendly' or better for Israel's security." The source added that because of the Bush's Administration's support for the brutal policies of Ariel Sharon's government in occupying the Palestinian lands, and the Iraq war that has killed, injured, and humiliated millions of Iraqi civilians, real "democratic elections" would likely usher in anti-American regimes.

The source then elaborated that in fact, the U.S. "democracy" campaign is not truly interested in democracy, but is trying to put in place regimes that are friendly to the Bush Administration, using democracy as a cover. Given the complexity of Arab and Islamic politics, the "democracy initiative" will give Bush results exactly opposite to what he wants.

Asia News Digest

China, S. Korea, Japan Try To Forestall War with North Korea

"The Bush Administration's refusal to talk to North Korea has now led Pyongyang to announce it has nukes on Feb. 10, then on March 3 they ended their 1999 moratorium on testing long-range missiles," a Japanese military source told *EIR* March 12. "So, any day we could have another missile over our heads," he said, as occurred in 1998. "Now we must join with China and South Korea to do everything we can to avoid a war," which could lead Pyongyang to destroy large parts of Tokyo and Seoul.

South Korea's National Intelligence Service (NIS) reported to Parliament Feb. 24 that it doubted North Korea has a viable uranium enrichment program, but may have bought tubing from Pakistan to make prototype centrifuges. There is no hard evidence this went beyond prototypes for enrichment of uranium for power plant fuel—not the more difficult enrichment for weapons-grade fuel, it said. This is an unprecedented action by South Korea, to charge that an intelligence error (or worse) is the basis for the Bush Administration's October 2002 announcement that "we now have a North Korea crisis."

Malaysia Rejects Japan's Offer for Malacca Straits

Japan's effort to deploy military ships into the Malacca Straits to combat piracy was rejected by Malaysia, according to Agence France Presse March 17. The appeal from Japan, after pirates kidnapped two Japanese officers from their ship in the Straits on March 14, sounded very much like a Bush Administration invention, using Japan as their foot in the door for access to the Straits, as the U.S. has demanded for the past two years. Malaysian Deputy Prime Minister Najib Razak, who is also Defense Minister, made clear that the Straits lie within the sovereign territory of Malaysia, Indonesia, and Singapore, and no foreign military will be permitted general access. "We will do whatever we can, but the principle of sovereignty has to be respected." The three countries conduct joint patrols of the region.

The neo-cons have repeatedly warned of possible terrorist use of an oil tanker to block the Gulf, or blow up a port. Last week, a tanker was, in fact, pirated in the Straits, but the crew was kidnapped and the ship released. The Straits carry a third of world sea-carried trade, and half its oil supplies, including 80% of Japan's oil needs.

Dalai Lama: Tibet Is Part of China

Speaking to the South China *Morning Post* from Bodhgaya, India, the Dalai Lama said: "This is the message I wish to deliver to China. I am not in favor of separation. Tibet is a part of the People's Republic of China. It is an autonomous region of the People's Republic of China. Tibetan culture and Buddhism are part of Chinese culture. Many young Chinese like Tibetan culture as a tradition of China."

He said Tibet was underdeveloped and materially backward, "so for our own interest, we are willing to be part of the People's Republic of China, to have it govern and guarantee to preserve our Tibetan culture, spirituality, and our environment. But we can contribute to the spiritual side of China.... China will turn to its 5,000-year history of tradition, of which Tibet is a part."

The Dalai Lama previously maintained that Tibet should be a "self-governing democratic political entity," with Beijing responsible for its external defense and foreign affairs, a position he first delivered in a speech at the European Parliament in Strasbourg in 1988. He also insisted that parts of the neighboring Qinghai, Gansu, Sichuan, and Yunnan provinces are part of Tibet.

China, Vietnam, Philippines Oil Companies To Survey Spratly Islands

China, Vietnam, and the Philippines have signed a pact for a joint survey of the Spratly Islands regions, the *Straits Times* reported March 15. Beijing and Manila had already come to an agreement to put sovereignty issues aside for now and jointly develop the oil-rich region. Now Vietnam, which also has claims in the region, and has had several military confrontations with China over those conflicting claims, has joined the collaborative effort. The state-owned oil companies of the three nations—China National Offshore Oil Corp., Vietnam Oil and Gas Corp. (PetroVietnam), and Philippine National Oil Company (PNOC)—signed the agreement to conduct a pre-exploration survey of the Spratlys. All three retain their claims to sovereignty.

The three also voiced hopes that the other claimants to the isles—Brunei, Taiwan, and Malaysia—would eventually participate in the joint seismic research.

Philippine Foreign Secretary Alberto Romulo said the joint seismic activity would be "a model-setting approach for the complex issues in the South China Sea and a step that brings the parties closer towards the peaceful, permanent, and comprehensive resolution of the territorial disputes and overlapping maritime boundaries in the area."

U.S., India Don't See Eye-to-Eye on Iran

Answering a question from the floor from *EIR*, at a day-long conference March 16 at the conservative Heritage Foundation, on whether Washington is in the process of preparing for a military operation against Tehran, Col. David Smith (ret.), said this remains an option as long President Bush and Secretary of State Condoleezza Rice do not say anything to the contrary. Colonel Smith, who was associated with military technology transfers at the Pentagon, was part of a panel discussing the geostrategic impact of the growing U.S.-Indian security relations.

During the panel presentation, news came in from New Delhi that the visiting U.S. Secretary of State Condi Rice had told the Indian External Affairs Minister Natwar Singh that since the situation in Iran is unstable, it would be wise for India to stay away from any major energy security planning involving Iran. New Delhi's response was to convey to Washington that it has taken note of the American concern, but India has no problem with Iran, the Indo-Iran relations precede United States' difficulties with Iran, and India is keen to ensure its energy security at this point in time.

U.S.-India Relations Assume Greater Importance

Speaking on a panel on the geostrategic importance of U.S.-India security relations, Principal Undersecretary of State for South Asian Affairs, Donald Camp, a former India Desk officer in the mid-1980s, pointed out that U.S.-India relations in recent years have assumed a new urgency. The urgency was created by both New Delhi and Washington—particularly by the Bush Administration and the 9/11 event.

Camp said that while it was clear to Washington that the two largest democracies must join hands to secure the world, recent developments in Asia make it even more urgent. To begin with, Asia, with a huge population, has begun developing rapidly in the last decade, and this has brought about huge resource requirements, trade, and so forth. In addition, China is growing rapidly—both in the economic and defense areas. China is not yet a democratic nation. Hence, Washington considers it important to help India in security matters. Camp qualified his statement by saying, "if India calls for such help."

Rice: India Must Reduce Troops in Jammu and Kashmir

During her talks with the Indian External Affairs Minister Natwar Singh in Delhi March 16, U.S. Secretary of State Condoleezza Rice urged the Indians to reduce troop strength in Jammu and Kashmir to further ease tensions with its neighbor Pakistan.

Responding to the stated concerns of Washington about the ongoing tensions between India and Pakistan, Natwar Singh laid out the measures undertaken by India to ease tensions. Secretary Rice, who went to Pakistan from India, asked the Indian Minister to reduce troops significantly, which would act as a clear gesture to Islamabad that India has no intent to commit hostilities against Pakistan.

While Natwar Singh's response to the U.S. demand has not been made public, the news that Rice has asked the Indians to reduce troops in Kashmir will have a very negative impact on the U.S.'s image in India. The Indians view this as interference in India's internal affairs.

U.S. Took Control of Pak Nuclear Facilities in 2001

The United States took control of Pakistan's nuclear facilities in October 2001, soon after the U.S. attack on Afghanistan,

according to a Congressional Research Service report March 13. The ostensible reasons behind the takeover, were Washington's fear that terrorists might gain access to Pakistan's nuclear weapons; the hope of forging stronger ties with both the Pakistani and Indian armies to aid in the war on terrorism; and to defuse the heightened tension in Kashmir in 2002, following the Pakistan-backed terrorist attack on India's Parliament House on Dec. 14, 2002.

On the other hand, the more obvious reason, left unsaid in Pakistan's *The Dawn* article March 13, is the culmination of the U.S. long-term plan to put the Pakistani nuclear facilities under Pentagon control. and effectively push the Chinese out of the nuclear equation vis-a-vis Pakistan.

No Sign of Imminent al-Qaeda Attack on U.S.

Contrary to warnings by senior Bush Administration officials in recent weeks, that al-Qaeda is regrouping for another massive attack, both Pakistan and Afghan intelligence indicated that local officials have picked up no sign of an imminent al-Qaeda attack on the U.S. Joining the Pakistanis and Afghans, U.S. Maj. Gen. Eric Olson, the number-two U.S. commander in Afghanistan, said he had seen nothing to indicate that al-Qaeda was attempting to get its hands on nuclear or biological weapons. "I think the pressure on them here, the pressure on them in Pakistan, the pressure on them in Iraq, is pretty great and it makes it very difficult for them to operate," General Olson said. Pakistani intelligence agents told AP that it has been months since they picked up any "chatter" from suspected al-Qaeda men, and longer still since they received any specific intelligence on the whereabouts of Osama bin Laden or any plans to launch a specific attack.

Africa News Digest

Jeffrey Sachs' New Book on Ending Poverty Is A Fraud

The World Bank and International Monetary Fund have been acting as debt collectors and have been imposing damaging structural adjustment plans on developing countries, says Jeffrey Sachs in his new book, *The End of Poverty*, published March 15. No reason to be shocked—Sachs is not serious, and here's why:

* He does *not* consider the World Bank and IMF among the causes of the failure of countries to develop; in his Chapter 3, titled "Why Some Countries Fail To Thrive," instead "the demographic trap" *is* among those causes.

* Sachs insists that "sustainable development" is crucial: in other words, tooth brushes, hoes, and the Internet, without real development.

* The hybridization of grains for higher yields—a good thing in itself—is promoted implicitly as a substitute for the mechanization of agriculture, which is not mentioned (because it changes the culture).

We should "rescue the World Bank and IMF," says Sachs (as the global financial implosion approaches!). They should represent all 182 member nations as "champions of economic justice and enlightened globalization."

The book provides a variation, for the developing sector, of his deadly policies for the former USSR.

Sachs is Special Adviser to Kofi Annan on the Millennium Development Goals. The *New York Times Magazine* has called him "probably the most important economist in the world." The Irish rock star Bono, who wrote the foreword to the book, calls him "my professor."

Blair Issues Love Letter to Africa

British Prime Minister Tony Blair and his year-old Commission for Africa issued a 464-page report in London March 11, at which time, Blair declared, "There can be no excuse, no defense, no justification for the plight of millions of our fellow beings in Africa today. There should be nothing that stands in our way of changing it... [I]t is an obscenity that should haunt our daily thoughts that four million children in Africa will die this year before their fifth birthday." But the report is an obscenity, whose unstated purpose is probably to improve the accessibility of Africa's precious metals and other hard commodities in the context of the coming financial crash.

Blair has made his Africa program a priority for Britain's presidencies of the G-8 and the EU this year.

The report calls for the developed world to provide an added \$25 billion in aid to Africa by 2010, and another \$25 billion by 2015, the dropping of tariff barriers to the importation of Africa's agricultural produce, and 100% debt write-off for the poorest countries, among other nostrums.

Despite its title, "Our Common Interest," the report represents no paradigm shift toward the universal interest of mankind. Dropping barriers for the importation of African agricultural produce means cheapening the price of food in Europe and North America at the expense of the farmers of the importing countries—a looting proposition. Writing off debts that are already a dead letter is a cheap shot. "More aid for Africa" won't mean much if the paradigm for development is a false one.

Among the 17 Commission for Africa members are:

- * Michel Camdessus, former Chairman, Executive Board, IMF.
- * Tidjane Thiam, Group Strategy and Development Director for the largest U.K. insurance company, Aviva, the world's 7th largest.
- * Gordon Brown, UK Chancellor of the Exchequer.
- * Ralph Goodale, Canadian Finance Minister.
- * Sir Bob Geldof, former lead singer, Boomtown Rats; founded Band-Aid project for African famine victims.

Also included are the South African Finance Minister, the governor of the Bank of Botswana, the President of Tanzania, and the Prime Minister of Ethiopia. Blair is the Chairman.

The report is at www.commissionforafrica.org; but hurry—the dustbin of history is on its way.

Blair's Letter Gets Cool Reception in Africa

"This whole effort is a slap in the face of Africa," said Pete Ondeng, CEO of the unofficial NEPAD Kenya Secretariat in Nairobi, responding to Blair's Commission for Africa and its report. Some critics were diplomatic. Kenyan Planning and National Development Minister Peter Anyang Nyong'o said, after praising the report, "Let us not be too pessimistic about what the commission is likely to achieve." Ugandan journalist Andrew Mwenda, one of 16 African journalists invited to London for the report's release, said, "It is an effort most likely to produce very little." Manenga Ndulo, economics

professor at the University of Zambia, said, "We have had so many plans which have not been fulfilled."

South African President Thabo Mbeki told the press, "Everybody is very keen to achieve actual, measurable progress.... I do hope that it will indeed serve the purpose for which it was intended."

The press does not report any critics calling for a change in paradigm, of which there is only one on the table—the LaRouche paradigm based on the *intention to develop the physical economy*.

African Commission for Britain Preempts Blair's Commission for Africa

The Britain-based aid agency, ActionAid International, preempted Blair's fat report on Feb. 23, by launching an African Commission for Britain, composed entirely of Africans. The commission says that Britain should start by doing no harm. It says, for example, that "Over 2 million Ghanaians lack access to clean, piped water. Yet the UK ... supported the World Bank when it made water privatization in Ghana a condition of aid." Good, but not yet a paradigm shift.

U.S. State Department Opposes Blair's Plan as Too Expensive

While Blair's plan for Africa is supposed to head the agenda at the G-8 summit in Gleneagles, Scotland, in July, the State Department is unfriendly to major aspects of it. State Department spokesman Lou Finton rejected the Blair government's proposed International Finance Facility for dealing with debt relief as too expensive. He also "did suggest that the U.S. has no intention of meeting the Commission's aid targets," according to IRIN (Integrated Regional Information Networks) March 12.

ActionAid coordinator Wole Olaleye said that, even if the G-8 and EU are not interested, Britain could still act alone and donate 0.7 of its GNP in aid, a target it agreed to in 1970, but has yet to honor.

Darfur Rebels Demand 'Justice Before Peace'

The two main insurrectionary movements in Darfur—the Sudan Liberation Army and the Justice and Equality Movement—issued a joint statement March 10 at a press conference in Asmara, Eritrea, saying, "The two movements view the issue of the trial of the perpetrators (of war crimes and crimes against humanity) as the foremost priority in resolving the conflict in Darfur.... The proceedings for their trial must commence before resumption of any negotiations (justice before peace)."

It may be unprecedented for one of the parties to an armed conflict to make prosecution of its adversary for war crimes a precondition for peace negotiations. The UN Security Council is, however, implicated. In September 2004, it required the creation of an International Commission of Inquiry on Darfur and called on it to identify perpetrators. In late January, the Commission provided the Secretary General with a sealed list of 51 war crimes suspects on both sides that it said included "senior Government officials and military commanders." The prosecutions thus may have the asymmetric effect of bringing the government down—the chief objective of the Anglo-American sponsors of the Darfur rebels.

Two members of the UN Security Council, China and Algeria, oppose such prosecutions by a non-Sudanese court.

Sacked Zimbabwe Info Minister To Challenge Mugabe in 2008

A network of candidates, led by dismissed Information Minister Jonathan Moyo, will stand for election to Parliament this

month, with the objective of then forming a party to defeat Zimbabwe President Robert Mugabe in the 2008 elections. Moyo was a critic of Mugabe until 2000, when he joined the government, became close to Mugabe, and served as campaign manager for the ruling party Zanu-PF in the general election. When a Moyo ally was passed over for the Vice Presidency in February 2005, Moyo registered as an independent candidate and was immediately dismissed as Information Minister. He began organizing his own candidates. Moyo is supported by Jabulani Sibande, chairman of the powerful War Veterans Association.

Moyo's group is almost entirely made up of politicians from the Ndebele people, who comprise 15% of Zimbabweans; Mugabe's government is almost entirely Shona, a much larger population.

The Moyo group claims, according to Britain's *Daily Telegraph* March 6, "that it will prove a more palatable opposition alternative for other African leaders who no longer wish to support Mr. Mugabe, but have proved unwilling to back the Movement for Democratic Change, which enjoys influential Western backing. [Spokesman Sikhumbuzo] Ndiweni claimed that those leaders might include [South African President] Thabo Mbeki... 'Mbeki can't leave Zanu for the MDC,' Mr. Ndiweni said. 'He's looking for a party that is an alternative to Zanu from a pan-African liberation perspective, not European-centric like the MDC.'"

This Week in History

March 21—27, 1911

The Triangle Shirtwaist Fire

On March 25, 1911, an horrendous fire swept through the ten-story Asch Building in New York City's Greenwich Village. The top three floors of the building were occupied by the Triangle Shirtwaist Company, and 146 garments workers, mostly young women, died that day, when their only means of escape consisted of jumping out the windows, or hurling themselves down the elevator shafts. The exit doors had been locked, both to prevent union organizers from reaching the company's employees, and supposedly to keep the workers from stealing any of the fabric. The single fire escape collapsed under the weight of the women who were able to reach it.

There had been similar fires on a smaller scale in other factories over the past decades, but there was little public reaction and precious little legislation to protect working people. The large numbers of immigrants who had come to the "Land of Milk and Honey" were crowded into slums and had to enlist their entire families, including young children, into working long hours in order to barely survive. One-third to one-half of the working population of the United States toiled up to 12 hours daily, sometimes even seven days a week, in unsanitary and unsafe conditions. This was true in the factory towns as well as in the city slums.

Eighteen years before the Triangle fire, during an economic depression, many workers were forced to accept deep wage cuts, but others were fired and replaced by children. An Oshkosh, Wisc. newspaper attacked this practice, saying that, "with an army of idle men in our midst, children who ought to be in school are doing factory work.... Put men to work and let babies go home!" But children continued to be recruited for factory work, and the situation of their parents was also hazardous. Unions conducted some successful organizing drives, but the reaction of most business owners was epitomized by a corporate executive who stated, "If a workman sticks up his head, hit it!"

Union organizers had tried to sign up the Triangle Shirtwaist workers the year before the fire, but management fired the workers who had dared to join the union and mount a strike for better working conditions. The company then replaced

them with newly arrived immigrants, who spoke a variety of languages, and were unable to communicate clearly with their fellow workers. Most of them were in their teens. It was these women who were caught in the fire. Although the building had fireproof construction which met the codes of the time, and still stood after the fire, the paper patterns, fabric cuttings, bolts of cloth, and the oil in the sewing machines, combined to create an inferno.

When the fire alarms rang close to where she lived, one young woman and her friends ran to the site of the fire. The woman was Frances Perkins, President Franklin Roosevelt's future Secretary of Labor. In 1911, she was working for the New York City Consumers League, making safety inspections of factories and bakeries. The scene, said Perkins, "struck at the pit of my stomach. I felt I must sear it not only on my mind but on my heart as a never-to-be-forgotten reminder of why I had to spend my life fighting conditions that would permit such a tragedy."

All but one of the women on the top floor were able to escape the fire by running to the roof. The building next door was occupied by New York University, and some of the law students maneuvered a ladder down from their roof and helped the women to safety. But the workers on the eighth and ninth floors were not so fortunate. The firemen rigged nets, but all the jumpers went through them, some of them cracking the sidewalks so badly that they fell through them as well. The fire horses that pulled the fire engines, trained to hold steady even during the noise of a blaze, became wild and terrified by the smashing sounds of the bodies and the blood that ran in the gutters. No one who jumped from the windows or down the elevator shafts, or who piled up against the locked exit doors, survived.

The owners of the Triangle Shirtwaist Factory, who after eight fires in nine years, still had refused to hold fire drills, were indicted on first and second degree manslaughter charges, but were acquitted by a jury. In 1914, the civil suits which were filed by some of the workers' families against the building's owner resulted in an average payment of \$75 per employee.

Public shock and outrage after the fire was tremendous. During a cold rain, 400,000 people lined Fifth Avenue, as 120,000 men, women, and children marched in a funeral procession for seven unidentified victims. The Sunday after the fire, 3,500 people, including Frances Perkins, attended a mass meeting at the Metropolitan Opera House. One of the speakers was Rose Schneiderman, a leader of the Shirtwaist Makers Union, whose strike had been defeated by the Triangle Shirtwaist Company. Schneiderman spoke softly but intensely and soon the audience was completely hushed. "I would be a traitor to those poor burned bodies, if I were to come here to talk good fellowship. We have tried you good people of the public—and we have found you wanting.... This is not the first time girls have been burned alive in this city. Every week I must learn of the untimely death of one of my sister workers. Every year thousands of us are maimed. The lives of men and women is so cheap and property is so sacred! There are so many of us for one job, it matters little if 140-odd are burned to death."

The result of the meeting was the formation of a Committee on Safety, manned by prominent civic leaders. The Committee turned for help to the Consumer's League, and Frances Perkins, with her experience in safety inspections, was loaned to the group to help them influence New York's Governor Dix to initiate action by the state. Dix, in turn, referred the committee members to Al Smith, the majority leader of the New York Assembly, and Robert Wagner, the majority leader of the Senate.

The committee members feared "the hand of politics," and wanted the appointment of an executive commission of "the finest people in the state." Perkins watched with admiration as Smith convinced them to go with a legislative commission, funded directly by legislative appropriations. "These fellows in the Assembly," he said, "are good men at heart. They don't want to burn up people in factories. They just don't know anything about how to prevent it, and they don't really believe that there is any hazard until you show them. And they'll be more impressed if it is shown them by their own commission and own members."

The committee followed Smith's plan, and in May the legislature approved the Wagner-Smith Resolution creating a New

York State Factory Investigating Commission. The Commission's mandate went far beyond fire prevention and safety, and included sanitation, industrial disease, machinery, hours, workmen's compensation and, later, wages. Over three and a half years, it conducted the most intensive study of industry ever undertaken in the United States.

Frances Perkins worked with the Commission as an expert witness, an investigator, and a guide on surprise trips to factories. She conducted Smith, Wagner, and other legislators through the often impossible routes to safety which the workers were supposed to follow. In one instance, she made Senator Wagner crawl through a small hole which was supposed to lead to a fire escape, but it only led to a steep and ice-covered ladder which stopped 12 feet above the ground.

In addition to safety problems, the Commission also uncovered widespread violations of the child labor laws. Businesses that denied employing young children were often found trying to get them out of the plant by rear doors or hiding them in sheds and elevators. Just as important, Perkins took the investigators to model factories, which were able to make a profit while still operating according to high safety standards.

The Commission's work eventually resulted in 36 new state laws for the protection of industrial workers. It also completely reorganized the old state labor department by creating a new Industrial Commission. Although Frances Perkins at first did not think highly of the new state senator from Dutchess County, Franklin D. Roosevelt testified in favor of all 36 bills. When Al Smith became Governor of New York, Perkins accepted his invitation to become a member of the New York State Industrial Commission. In 1929, the new Governor, Franklin Roosevelt, appointed her the Industrial Commissioner of the state. And when Roosevelt became President in 1933, Perkins became the U.S. Secretary of Labor. It was in this capacity that she chaired the commission which drew up the legislation to establish Social Security.

On March 25, 1961, Frances Perkins stood on a speakers' platform with Eleanor Roosevelt, Rose Schneiderman, and 12 survivors of the Triangle Shirtwaist Factory fire. On the 50th anniversary of the fire, the Asch building still stood, now made completely fireproof, and converted into classrooms for New York University. Perkins helped to unveil a plaque on the building which read: "Out of their martyrdom came new concepts of social responsibility and labor legislation that have helped make American working conditions the finest in the world."

All rights reserved © 2005 EIRNS

[top of page](#)

[home page](#)