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This Week You Need To Know

A NEW BRETTON WOODS

Time To Reverse Shultz's Destruction of Exchange Controls

by Lyndon H. LaRouche, Jr.

Here is the transcript Lyndon LaRouche's opening statement to an April 7 webcast, sponsored by the LaRouche Political Action Committee, in Washington, D.C. The webcast was broadcast live into the annex building of the Argentine Congress, among other international locations. Moderator Debra Hanania-Freeman announced the vote in the Italian Chamber of Deputies for a motion to convoke a New Bretton Woods conference to reform the international financial-monetary system, a proposal which LaRouche had crafted.

We're in a situation, to situate what I'm to say today, in which there are an increasing number of influential circles around the world, including inside the United States, which are now echoing something that President Clinton said in September of 1998, in the aftermath of the collapse of the Russian bond speculation: That the world needs a new financial architecture to replace that of the present IMF system.

And around the world today, as typified by the events yesterday in the Italian Parliament, where what had been worked out with me was voted up by the Parliament, in a very heated but spirited debate, is now on the minds of people around the world: We need a new financial architecture for the systems of the world. We can not continue under the present one. What is undecided in the minds of many, is what that architecture should be. Many have opinions, more or less superficial in many cases. But there is no consensus, at present, on what has to be done.

Now, my function here, today, is to set forth in a summary fashion, because this is an enormous subject, but to summarize the issue, in such a form that the discussion might be structured, rather than chaotic, as it tends to be, in the United States today. And so, that I say the following:

Now we're at the moment, in which the United States is gripped by the greatest financial-monetary crisis in modern history; at least since the beginning of the creation of our republic....

[...link to complete statement, pdf format](#)

Latest From LaRouche

Here are selections from the Question-and-Answer period, following Lyndon LaRouche's opening remarks to an international webcast, April 7 (see [Indepth Feature](#) this week).

Dialogue with LaRouche

Question (submitted by a Democratic consultant in Washington, who has been heavily involved in the fight to save Social Security): Lyn, my question to you is perhaps an obvious one, and to be honest, I've gotten the answer delivered at various volume levels by those who speak for you at various points.

But, I think it would probably be useful to put the question to you personally, especially before this broad public audience. You've repeatedly asserted the need for the convening of a meeting similar to FDR's 1944 Bretton Woods conference, in order to craft a new financial architecture to replace the current one, which seems to have ceased functioning. But the bottom line is this: I can't think of any collection of scoundrels among those alive today, who would be more hostile to this idea than those who are roughly referred to as the Bush Administration.

But, the problem that we face, is that it seems that this issue just is not going to wait for four years. So, how do you proceed with a Presidency, that is so hostile to the principle that you're expounding? *LaRouche*: Ah-ha-ha-ha! That's a nice question! I like that.

There is an answer: The answer often lies, when you look at somebody else, and ask them for an answer, you should first look at *yourself*. Maybe *you* are the problem, not them.

In the case of the Democratic Party, I would say the Democratic Party has been the problem. Now, the first obstacle to curing the problem represented by Bush, is to pretend yourself that you don't think it exists. If you accept what Bush is doing, a principle he's doing—and you're not willing to admit that you are accepting that, then, you are actually continuing that.

See, Bush is a very vulnerable person. I'm being myself: I say the man is a psychopath. Not to insult him. That's a statement of fact; that's not an insult. No, when I see a slime-mold, I call it a slime-mold. I call it a worm, if it's a worm. The President is a psychopath. The man is not in the real world. We have seen that—those who watch him, watch his behavior, know *he is not in the real world*. And therefore, he is able to respond to things, because he is not in reality. He's living largely in a fantasy life. Now, that has complications because when you get a wind-up toy, and you turn it loose, the wind-up toy may do something you don't like—which you didn't expect. But you built it in, and turned it loose. And Bush is like that. He's not in the real world. He doesn't know what he's talking about most of the time. He doesn't care. He cares about how he feels about what he's saying, not what the effect is, in practice, of what he's saying.

Cheney's a sociopath. That does not mean that Cheney's a genius, or a superpower. He's not. He's a very defective, weak person. Condoleezza Rice: a bully, but her bullying shows how weak she is. I mean—you know she still thinks she's running a football team in California for George Shultz, or something. She shows *weakness*, not strength. Bush is *weakness*, not strength. Shultz is more the problem.

Now the problem we have, is, you say, "We have to respect this; we have to respect that." The thing in the Congress, the habit of "go along to get along": This is what causes the problem. "But people won't accept that." "You can't change Bush." You *can* change Bush! We can deal with that problem. All you have to do is have a majority in the Congress, starting with the Senate. This problem's going to be brought to heel real quick. Why? Because the problem here is that we have people who are Democrats, who don't believe in the people. These are the ones who talked about, you know, "Stick to suburbia." That's how Gore succeeded in losing the election which was a shoo-in, if Clinton had been running again. They were talking about this option: "Ignore the poor people." The country has been operating, this country of ours has been operating since 1971-72, increasingly on "ignore the poor." We have 80% of the family-income brackets in the United States who've been in collapsing condition of life since 1977. And the Democratic Party has turned its back on these people, and the

issues that they represent. It turned its back on the question of deregulation. It was done by the Democratic Party!—under Brzezinski. The living standards of most Americans were hurt more by what was done by Carter—not because Carter understood what he was doing—but because Brzezinski and his crowd, the Trilateral crowd, deemed it necessary.

So, the Democratic Party *turned its back* on the majority of the people in the United States, in its actions; refused to recognize what it had done, when the pain and suffering caused by these policies set in, and said "This is a new way of life! We have to learn to live with it." And what did you hear from the Democratic Party in the 1996 to 2000 period? What did you hear? You didn't hear Clinton; you heard Gore. And Gore was suburbia—or being an alpha dog or a beta dog. [laughter] That was called losing an election by dogged determination.

So, we turned our back on the people. What I've insisted upon, all along, is: We don't turn your back on the people! But the Democratic Party leadership said, "We are turning our back on the people, and you're against us. You're sabotaging our efforts to betray the people." And then, the Democratic Party complains about losing elections! And then they say, "We'd rather lose elections." Or some of them did. So, the problem is, what you need to do is show leadership. And the problem is, as the consultant (who I think I know) knows very well, when it comes to Democratic Party leaders, there's *not much guts around*. They will not take a chance on appealing to the people. They will not take a stand on the kinds of issues that affect the people.

For example, health care. Everybody knows, in the leadership of the Democratic Party everybody knows, that the whole health care—the promise of medicine, universal right to health care, is a fraud! As long as you maintain the HMO system, your idea of promising health care is a fraud. Because, what are we doing? We are not limiting people's right to health care. We are doing worse. We are *destroying the source of health care!* How many hospitals have been shut down in the United States since 1973? How many clinics have shut down? How many physicians have been put out of practice, in terms of numbers? What kinds of care can't you get any more, because it doesn't exist? What medication that should have been developed has not been developed, because it doesn't fit the program of the drug companies?

So, what we have done, is, we have *destroyed* the existence of the physical health care, which people want to promise they can have universal access to. And that is done by practically every health-care bill—except for one we've got coming up now out of Conyers—that has gone through the Congress. That has been the Democratic policy.

Go through everything else. Democrats do not stand up, and get the support of the people by any other way, except by addressing the real problems of the people, making clear what the cause of the problem is, getting the facts out, so they can understand. People don't understand what their problem is, the average person. They *don't* understand what their problem is. They understand the pain they feel. They understand the effects they feel. But they don't understand how this problem came into existence. They don't understand what the cure is. But we, who are in leading positions in the Democratic Party, or similar institutions, have the ability to know how the problem was created. We have access; we have the friends; we have the government bureaucrats, all of the other people who have the facts. There's no excuse for our not knowing what caused the problem, for long. And once we know what the problem is, we should say what the problem is.

And if you have a majority of people in the United States who are really determined to have an election, or to have a government they want, and you're willing to provide the kind of leadership they need for that purpose, you're going to get it. I don't care who's the President of the United States. We impeached Nixon, didn't we, virtually? Nobody in the United States, up to this point, could resist a serious mass sentiment from among the people of the United States. I don't care who's incumbent, in government.

The problem is *we lack guts* among our political leaders. And they blame the people, saying "the people aren't ready to support us." Why should they support them? Are you going to go to war under the leadership of a general who you know to be a gutless wonder? And the problem is, we have too many gutless wonders in the leadership of the Democratic Party. I

guarantee you that if I had been elected, we wouldn't have any problem. Or, if I had been treated better by the Democratic Party during the course of the campaign, *we wouldn't have this problem*, today, I guarantee you! [applause]

Faith-Based Fascism

Question (from a member of the LaRouche Youth Movement): Lyn, in discussions over the past few days, you've addressed the issue of the state-based religion, and you've identified it as a major strategic flank in the immediate period, concerning outreach. Today, in your remarks, you said that the Bush Administration runs a right-wing religion, as opposed to a right-wing religion running the Bush Administration. From a strategic and economic standpoint, what directly is required for those who are participating in this fight? How do we address this? And please elaborate a little bit more on why you think this is such an important flank.

LaRouche: Well, you have a history of this sort of thing. For example, one of the prime examples of a state-based religion was Louis XIV of France, the "Sun King," who established what he called a Christian church, which was actually a pagan sun-worship doctrine, and he used that as a state religion to control France. You had Napoleon Bonaparte, when he became Emperor, he did the same thing. He organized a state religion in the form of a Catholic Church, but it was based on the worship of Napoleon Bonaparte, essentially.

You also have, in the history of the United States, a precedent for this. People in governments have been orchestrating religions; there's a whole history, in European history alone, of religions—there's a history in the world as a whole, of religions which were created by governments to control people.

Now, when we modified our Constitution, for separation of church and state, *we were aware of this, and we banned it*. And George Bush has done it! It's a violation of the Constitution.

Now, this state-based religion has two principal elements in the United States. It's based on one thing, the so-called "wild Protestants," who were organized around the Nashville Agrarians, as the Thunder Cults, which is based on those Southern revival meetings where they produced more babies than they saved. Where the preacher did it. He saved souls in the tent, and went and made more outside the tent, back of the tent. The other thing was done from Britain: a variety of Catholic doctrine, which was partly invented from Britain and came from other sources, which is the right-wing fascist wing of the Catholic movement in the United States, today.

So you take the fascist Protestants and the fascist Catholics, and you put them together, and you call it a faith-based initiative. And what they worship is money. The biggest weapon used by government against the Civil Rights movement, has been the faith-based religion which has gone in to buy pastors in churches, to try to kill the Civil Rights movement by this operation.

What we have here—to make this as short as possible—what we have, is an orchestrated operation which now centers around Karl Rove, and the idea is to use this kind of religion by bringing—

You know, Helga and I met with Cardinal O'Connor in 1994, in his office in New York. He said: Look at all these guys coming in, these crazy Protestants are coming in, trying to get into the Catholic Church, the diocese. What are they doing to me? And this is what it is.

So, you had the Bush crowd, or the crowd behind Bush, typified by what Karl Rove does, has created a religion around certain religious figures, including Billy Graham, and they've used this thing to create a systemic religious movement, which was used in two elections—especially in the last one—to organize a vote-suppression movement which gave an

election, fraudulently, by virtue of votes pressured, to George Bush. That is a state-based religion.

Look at what happened with the Schiavo case: all the orchestrations. You see, every effort is to substitute the manipulation of religious insanity, actually, for politics. You saw that in the Schiavo case, the way it was orchestrated. Now, if we don't recognize that, do you know what this is? Do you know what faith-based religion is? *It's the new Nazi movement.* This is the mass movement of Nazis, and if you let this thing run loose, and treat it like it was something you just don't talk about, for fear of upsetting people, you know where you're going to end up? This is where you're going to end up: No country, buddy. This is fascism. It's a violation of the Constitution, because we know that the government of the United States, a section of it, the people in government, are running a religious cult around the theme of faith-based initiative, as a movement to control the politics of the population. That is precisely what the amendment of the Constitution prohibited, and that is what is being done.

The President of the United States is unconstitutional.

The Ibero-American Debt: A War We Can Win

Question (from Ibero-America): Mr. LaRouche, what's your basic proposal to solve the problem of the foreign debt of the developing sector countries? Obviously, of special interest to us are those of Latin America. Also, what do you think in particular of the recent accords struck by Argentina with its creditors on its defaulted debt?

LaRouche: Let's take the easiest one, the Kirchner agreement with the creditors. Well, Argentina was placed in an impossible situation. It could not *possibly* meet the obligations that were imposed upon it, and therefore it had to take some kind of defensive measure to establish the dignity of the nation of Argentina and its Presidency, its government, its people. I think a step was made which is not desirable in terms of its effect, what it didn't do, but it was a necessary step. And to the extent that it has given Argentina an opportunity...

For example: I think one should look at this strategically. You have a new sudden development in South America: Uribe of Colombia, Chavez of Venezuela, Lula of Brazil, together with the Prime Minister of Spain, have created an agreement on cooperation which anyone, one month before that, would have said was impossible. Hmm? What does that tell you? Something has happened. Now, you have Kirchner in Argentina; he didn't sign into this thing. But, what this does: It makes a *change* in the entirety of the situation of South America, and presents a very interesting challenge to Mexico, which is going through now a new phase of crisis, around the election of the President of Mexico, involving the figure of the Mayor of Mexico City. So this is the center of a crisis from south of the United States all the way down to Cape Horn.

The Chile problem is another case. It's erupted in Chile among the people who are concerned about the legacy of Pinochet there. So, Argentina is within a strategic setting, not an Argentine setting, not an Argentina setting with respect to its creditors. Argentina is also in the midst of one of the biggest factors in this recent crisis, is the Italian debt issue of Argentina, which came to light now: where? In Rome, yesterday, in the Parliament, on the question of the debt, on the question of a new Bretton Woods, which is the same issue as the issue throughout South America.

The history of the problem is, that in 1971-72, as the result of the change in the international monetary system directed by Shultz and his crowd, there was unleashed a process of looting and ruin of all the countries of South and Central America, and this was done by using the floating-exchange-rate system to create an artificial debt for these countries, and then to collect on that debt, so that the countries of South and Central America have more than paid every penny they ever owed to the international creditors. They really don't owe anything, if you take into account the swindle of the artificial debt that was stuck on them by Shultz and company by that regime.

So therefore, we have this situation, where these countries have been destroyed and *looted*, from the United States and Europe chiefly, as a result of this induced indebtedness. Now, the time has come, where in Italy, our friends in the Parliament have struck a blow for freedom for all humanity, in calling for a new financial architecture (which former President Bill Clinton called for at one point, in a different way, perhaps with a different intention, but he called for it).

So therefore, now, President Kirchner of Argentina is in a very interesting strategic position. Not with a perfect agreement on his hands, but with a *fighting* position. And like any good commander, what he needs is not necessarily a victory. The first thing he has to do is get a position on which he can fight, and then maybe he'll get a victory because he's got a fighting position. He's not all over the place. He now has a strategic position.

And therefore, I would say that I look at it from the standpoint of the Mexico election, the Presidential election. The issues posed by the candidacy of the present Mayor of Mexico City, and these developments, as all of one piece, and therefore is a very interesting strategic situation, which fascinates me. It's the kind of situation I love, where you can fight a war and win it.

InDepth Coverage

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Feature:

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[Enhanced feature: Animations used in the webcast, Windows Media Format.](#)

Economics:

[Italian Parliament Endorses Call for New Monetary System](#)

[by Claudio Celani](#)

In an historic breakthrough, on April 6 the Italian Chamber of Deputies (the lower House of Parliament), approved a motion calling on the government to promote 'an international conference at the level of Heads of State and Government, to globally define a new and more just monetary and financial system.' The motion had been drafted by Paolo Raimondi, representative of the LaRouche movement in Italy, together with Rep. Mario Lettieri, who had introduced it with fifty colleagues from almost all Italy's political parties. It is a faithful representation of both the

analyses and proposals put forward by American economist and political leader Lyndon LaRouche, to whom legislators supporting the motion repeatedly referred as the initiator of the campaign 'for a new Bretton Woods,' during the Parliamentary debate.

South American Summit: Infrastructure Integration Is the New Name of Peace

by Dennis Small

It was a scene that many would have considered next to impossible, only weeks before it happened. But there they were: the Presidents of Brazil, Colombia, Venezuela, and Spain, gathered on March 29 in the Venezuelan city of Ciudad Guayana, discussing the details of regional great infrastructure projects to pull their economies out of poverty, and to lay the foundations of lasting, regional peace.

UN Reports on Rise in Tuberculosis in Africa

by Leni Rubinstein

A recently released report from the UN World Health Organization (WHO), 'The Global Tuberculosis Control Study for 2005,' reveals that tuberculosis has reached alarming proportions in Africa, with a growing number of TB cases and deaths linked to HIV. One of the Millennium Development Goals (MDG) to achieve by 2015, is to halt and begin to reverse the spread of TB, as one of the world's major diseases. In a message to the UN's World TB Day in late March, Secretary General Kofi Annan said in a message, that much harder work is needed to halt a scourge 'both preventable and curable.'

In Memoriam:

REVIEW OF 'MEMORY AND IDENTITY'

In Defense of Christianity

by Lyndon H. LaRouche, Jr.

***Memory and Identity: Conversations at the Dawn of a Millennium* New York: Rizzoli International Publications, 2005 192 pages, hardcover, \$19.95**

April 2, 2005

About an hour ago, I received a terse report that Pope John Paul II had died. Some days ago, after I had begun the writing of a review of the English edition of the book *Memory and Identity*, I halted my completion of the review out of a saddening sense that these might prove to be the last days of his mortal life. In a manner of speaking, I paused to give this Pope the last word. Nonetheless, I have changed nothing of what I had begun to write, except to situate that in an appropriate way as my personal expression of regard for my own mourning and others', for our common loss. Even then, as the present title I had already given to this review attests, when I had still hoped for some degree of his recovery to continue his work, the intent of my review was to have been a relevant reflection for today of what this Pope's ministry has meant for the continuity of the apostolic legacy of the Christian Church up through his ministry, to beyond his now-reported passing.

- **International Tributes**

From the vast world outpouring of tributes, we select a few that are especially significant...

International:

How Wolfowitz and the Neo-Cons Sabotaged the First 'Oasis Plan'

by Dean Andromidas

The only hope for Southwest Asia and an Israel-Palestine peace agreement, is the implementation of Lyndon H. LaRouche's 'Oasis Plan,' where a Middle East peace can be organized around cooperation for regional economic development. Such a plan would necessarily involve the construction of nuclear-powered desalination plants and other infrastructure throughout the region, enabling an exponential increase in the water supply to 'make the deserts bloom.'

The recent appointment of outgoing U.S. Deputy Secretary of Defense Paul Wolfowitz, one of the leading 'children of Satan' of the Bush Administration, to the chairmanship of the World Bank, is aimed at sabotaging the LaRouche policy.

Chinese Patriots Move To Defuse Ignition of a Cross-Strait Crisis

by Leni Rubinstein

The Cheney-Bush Administration's so-called preventive war doctrine, combined with the underlying collapse of the international financial system, are dangerously escalating the danger of a U.S. confrontation with China. Taiwan, for quite some time, has been played as a pawn in the Anglo-American push for global neo-colonialism, and was seen as a key player to be used to provoke a future confrontation with China.

Jorge Carrillo, the Worker-Minister Who Played the 'LaRouche Card'

by Maximiliano Londoño Penilla

On March 20, the well-known Colombian trade union leader and former Labor Minister, Jorge Carrillo Rojas, died at the age of 69, while serving as director of the Peasant Family Compensation Fund, Comcaja, to which position he was named by President Alvaro Uribe. In all the various positions Carrillo held, from factory worker to Labor Minister to Ambassador to Guatemala, Carrillo was always the simple man we all knew, but deeply passionate and vigorous in defense of the legitimate interests of human beings everywhere: their inalienable right to dignified, stable, and well-paid employment. Carrillo responded quickly and effectively to the challenges of his time, embracing the banner of social justice of the Catholic Church, as expressed in particular in the teachings and works of Popes Leon XIII, John XXIII, Paul VI, and John Paul II. Carrillo's commitment to this view of social change and progress for the people was made stronger, through the close friendship and collaboration he sustained during the past nearly 30 years with U.S. statesman Lyndon H. LaRouche, and with his wife, the German political leader Helga Zepp-LaRouche.

Two Years Later: Iraq at a Crossroads

by Muriel Mirak-Weissbach

On April 9, 2003, U.S. tanks crossed the bridges into Baghdad and occupied the city, wrapping up the last phase of the invasion. Hardly a shot was fired. Iraqi military were nowhere to be seen. It seemed as if the rosy forecasts of the neo-cons' favorite Ahmed Chalabi, and his U.S. Defense Department sponsors, were coming true: The Iraqi population would welcome the U.S. troops as liberators, and a pro-American government would emerge from the rubble, to guide Iraq down the road to democracy, becoming a shining example for the entire Arab world and beyond. Oil revenues would finance rapid reconstruction, and, in the words of Paul Wolfowitz, pay for the invasion. The country would lead the 'Greater Middle East' to economic prosperity, through the wonders of the free market and globalization.

'Peace in Palestine' Conference in Malaysia

by Mike Billington

Malaysia, currently the chair of the Organization of the Islamic Conference (OIC), hosted a 'Peace in Palestine' conference in Putrajaya from March 28-30, with representatives from 34 nations. Organized by Peace Malaysia, a coalition of 1,100 organizations and parties, the 400 participants included five Israelis, despite the fact that there are no diplomatic relations between Malaysia and Israel. The presence of the Israelis led to the boycott of the event by the Islamic Party of Malaysia (PAS).

British Surrogates Lose Zimbabwe Election

by Lawrence K. Freeman

Prime Minister Tony Blair's Liberal Imperialists and their supporters among the U.S. neo-con 'regime change' faction were soundly defeated in the Zimbabwe Parliamentary election held on March 31. The Movement for Democratic Change (MDC), founded, funded, and deployed by the British, and led by Morgan Tsvangirai, lost 16 seats in the national vote, leaving them with just 41 elected representatives in the government. While Tsvangirai claims that he would have won 90 of 120 contested seats if the election had been fair, there is no documented evidence of fraud on that scale.

National:

Bush's State-Based Religion Is a New Fascist Movement

The alliance of right-wing Protestants and Catholics who brought President George W. Bush into the Presidency, and are campaigning for the President on so-called 'religious issues,' is a 'new Nazi movement,' charged **Lyndon LaRouche** at the conclusion of his April 7 webcast. This movement has to be identified for what it is, and fought, if the United States is going to survive, **LaRouche** said.

Ginsburg: Does Scalia Think Like Roger Taney?

by Edward Spannaus

Associate Supreme Court Justice Ruth Bader Ginsburg carried on the public dispute within the U.S. Supreme Court—and pointedly censured Associate Justice Antonin Scalia—in a speech delivered April 1 to the American Society on International Law, in Washington, D.C. Increasingly, Supreme Court Justices, including Scalia, are speaking publicly outside of the court, on their policy differences, especially in regard to the heated debate over the recognition of international law and court decisions from other countries.

EIR Exclusive Former State Department Legal Advisor Blames DOJ Lawyers for Prisoner Abuse

by Edward Spannaus

The abuse of detainees 'was predictable,' as a consequence of the decision made by Department of Justice (DOJ) lawyers in early 2002 that the Geneva Conventions would not apply to al-Qaeda personnel, the State Department Legal Advisor at the time has charged. The former Legal Advisor, William H. Taft IV, said that the Justice Department's conclusion to disregard the Geneva Conventions 'unhinged' those who were responsible for the treatment of detainees at Guantanamo, detaching them from the legal guidelines that had governed the treatment of captives by the U.S. military for decades.

Animated Graphics from the LaRouche PAC Webcast of April 7, 2005

Shinking Population of North Dakota, 1930-2000

The Decline of the High Plains, 1910-2000

Manufacturing Workers, 1975-2000

Service Workers, 1975-2000

The Collapse of the Economy

The Slime Mold

(All of the above are in Windows Media Player format.)

U.S. Economic/Financial News

GM Tells Auto Suppliers: Move to China, or Charge Chinese Prices

Beleaguered General Motors, the world's largest auto maker, is telling its auto suppliers in effect, move to China or charge rock-bottom Chinese prices. Of course, such a move would rip still more industrial capacity out of the already-deindustrializing United States. Some 380 executives from U.S.-based auto suppliers were summoned to a meeting at Michigan State University April 6, where GM chief purchasing executive Bo Andersson threatened them point blank that the suppliers should either "consider building their parts" in China to remain competitive, or charge prices for auto parts produced in the United States that would be equivalent to the prices of those produced in China. Andersson instructed the executives not to speak to the press, but the *Detroit News* obtained Andersson's 13-page slide presentation to the suppliers.

Thus, in response to its crisis, GM's insane response would create a situation in which, within five to ten years, few parts suppliers would be left on American soil, and hundreds of auto parts plants, representing advanced machine-tooling and

more than 150,000 workers, would be trashed.

While refusing to go into details, GM's official spokesman Tom Wickman said of the meeting, "We're a global company, we needed a global supply base, a competitive supply base."

This demand came after GM had already earlier this year demanded that its suppliers cut material costs by 20% from 2003 levels.

According to a study done last year by Ronald Berger Strategy Consultants, North American auto suppliers will close plants and move as much as 20% of their production to low-wage countries by 2010, although GM's latest move appears to accelerate that schedule. Delphi, GM's largest auto parts supplier, has built or is finishing construction on a total of 11 factories in China. Recall, that a UAW official told *EIR* that of Delphi's 23 plants in the United States, ten to 12 could be more or less permanently closed down by June or July, were GM to go into bankruptcy. The *Detroit News* reports that GM "expects to increase its auto part purchases from China ... from \$200 million in 2003 to \$4 billion in 2009," an increase of "20-fold in six years."

John Henke, president of Planning Perspectives, Inc., sputtered April 6, "Simply because of wage structures around the world, you'll go to places like Mexico, China and India to get the best price on anything." This confirms what Lyndon LaRouche said April 7 at his international webcast: that the bankers intend to "slaughter GM" and the auto sector.

GM, Ford Downgraded to Just Above Junk Bond Levels

Jon Rogers, auto analyst for Smith Barney, which is an investment banking division of Citigroup/Salomon Smith Barney, has downgraded GM from stable to negative, and announced that he is projecting a target price for GM stock, from his previous target of \$32 per share, down to \$24 per share; he has also called for cutting GM production capacity by 20%. GM's stock is currently trading at \$30.50 per share; this downgrade, coming from Citicorp, America's largest bank (\$1.1 trillion in assets), could precipitate a fall in GM's stock price.

There are valid reasons that rating agencies and banks would be concerned about GM, but the process can also work the other way: that these downgrades are *intended* to intensify a crisis. Rogers also projected Ford Motor Company's stock price to fall from his previous target of \$16 per share, down to \$12 per share.

Rogers then proposed, "To remedy [GM's financial] situation, GM would need to enact more sweeping and radical changes than have been detailed thus far." He added that GM's decline in market share "is manageable, but only if the auto maker can strip out capacity as well." Rogers said that GM has 33% of auto plant capacity in the U.S., but accounts for only 25% of all North American car sales—and thus must reduce capacity by at least 20%, accompanied by the elimination of 25,000 workers.

GM has slashed its American workforce of UAW unionized workers—almost exclusively production workers—from 460,000 in 1985, to 120,000 today, a 75% shrinkage. These 340,000 workers, who could be reconstructing America, have been sent to hamburger joints and unemployment offices across the country.

30% of U.S. Tool and Die Makers Gone in Last Five Years

An April 4 *Detroit News* article describes the destruction of the Michigan, and national tool-and-die sector by globalization, illustrating with the case of a 50-year-old family firm. Schmald Tool and Die's general manager is heading to India in May to arrange to "team up" the company with Indian computer design firms. The Indians will design the tools

made at Schmald, in order to compete at lower prices.

As a result of globalization, outsourcing, and computer design, one-third of Michigan's tool-and-die workers have been laid off or quit since George W. Bush took office. Some 39,000 remain. And nationally, the picture is the same: Thirty percent, or more than 100,000, of the 350,000 tool-and-die workers employed in 2000, are no longer working.

An increasing amount of the work done by these machine-tool firms—particularly those associated with the auto/auto supply industry—consists of *repairing brand-new machine tools* made more cheaply, but less well, abroad. This is also their most lucrative work. The office of Michigan Governor Jennifer Granholm (D) is counselling machine-tool firms that only by outsourcing parts of their production process to foreign firms, can they survive. This has meant sharing tool designs with those firms, and more importantly, consigning the design and testing of the tools before actually producing them, to computers. Many of the experienced tool-and-die makers have quit rather than agree to work in this way. Schmald says their own tool designers are on short hours because of outsourced design. The head of another Michigan firm, Precise Engineering, told *Detroit News*, "It's a bitter pill for us to swallow."

Call for Action to Protect, Expand U.S. Nursing Homes

State leaders are calling for action to protect and expand the U.S. national base of nursing homes—Federal veterans' homes, state-run veterans' homes, and general care facilities—to provide adequate care and to create necessary jobs. Meanwhile, the Bush Administration's fiscal '06 budget is ordering major funding cuts and shutdowns, which will of course also result in job loss.

A significant part of the American health-care infrastructure the system of state-run veterans homes, Veterans Affairs-run homes, and private nursing homes, accounting for thousands of facilities.

The following are some essential parameters:

1. State-run veterans' nursing homes: in 117 cities and towns, with 27,1000 beds or so, as of 2004. This system began under the Eisenhower Administration. In recent years, a daily rate of \$59 per resident/patient is paid by the Federal government—the Veterans Administration—to defray state expenses.
2. Veterans Affairs-run nursing homes: some 130 sites, with 14,930 beds or so, as of 2004. The new Veterans Affairs budget plans to limit eligibility for care, to keep out thousands, and to reduce payment for the existing patient load, in what VA Director Nicholson calls "management savings."
3. Nursing homes nationwide.

Example: Pennsylvania

1. Five state-run veterans' homes: Erie (175 beds), Holidaysburg (515), Pittsburgh (236), Scranton (200), Spring City (342), Delaware Valley (171). The Bush proposal will cut the per-diem subsidy for vets, and will also disallow any vet who needs care, but has no combat injury. This will disallow even a World War II-era veteran who may have seen fierce action, but escaped direct injury.
2. Eight Veterans Affairs-run nursing homes: Altoona (40 beds), Coatesville (281), Erie (52), Lebanon (136), Philadelphia (240), Pittsburgh-Aspinwall (336), Wilkes-Barre (106), Butler (97).

3. Some 732 long-term-care facilities which employ overall 200,406 in health care and other industries in the state.

Meanwhile, as a result of the Bush proposals for cutting Medicare and Medicaid funding (and thus stiffing nursing home), 203,000 jobs in Pennsylvania alone will be killed—along with patients.

In the Philadelphia metro area, 141 nursing homes support 55,100 jobs statewide. In the Pittsburgh metro area, 128 nursing homes support 31,000 jobs statewide.

U.S. Tries To Stop Hemorrhage of Textile Jobs

After the loss of 17,200 of the 700,000 remaining textile jobs in the United States in January-March, the U.S. Commerce Department on April 4 announced a 30-day impact investigation of Chinese imports since World Trade Organization (WTO) quotas expired on Jan. 1, and by June 1, will probably re-impose quotas on Chinese imports of cotton shirts, blouses, trousers, and underwear. These imports had increased over the first quarter of 2004 by between 1,200% and 1,500% depending on the items. Some 17 American textile mills closed, temporarily or permanently, in the first quarter.

Overall, U.S. first-quarter imports of textiles grew at the same rapid rate as in the previous four quarters; the difference is that in first-quarter 2005, China crowded out other exporters. American textile employment has dropped by 381,000 jobs, over 36%, while George W. Bush has been in office, and for the most part, while the quotas limited China's imports. Financial interests like those represented by corporate raider Wilber Ross have entered the industry, bought up companies bankrupted by globalization, and further outsourced textile production. Textile employment is down 70% since 1990, mirroring other major industries.

Following the U.S. move toward protection, spokesman Qin Gang of the Chinese Foreign Ministry denounced the move as unfair, according to Associated Press.

World Economic News

Major French Initiative To Relaunch R&D in Europe

French Senator Pierre Lafitte and Deputy Pierre Lasbordes have begun a major initiative for the European Investment Bank to "borrow" 150 billion euros to relaunch R&D in Europe. The amount comprises 1.5% of the European GDPs. "Without a large-scale effort, the future of Europe will become somber. Outsourcing of research centers will continue, our brains will continue to expatriate themselves after having been trained here at great cost. In the end, Europe will be nothing more than a museum or an area of leisure." The 150 billion would be going to R&D in particular in the Eureka projects, but also to finance young creative entrepreneurs, and create the conditions where R&D and innovative companies throughout Europe can come together to form poles of excellence. Lafitte and the Foundation Sophia Antipolis—a center for advanced R&D and industrial applications based in Antibes, France—have launched this initiative to be carried out by an association they created called "Elite" (Enlarge Innovation and Talents in Europe).

Already Poland and Denmark have expressed their approval. French President Jacques Chirac and German Chancellor Gerhard Schroeder have noted their "interest." The EIB also stated that it is willing to go in that direction, but says it would need "state guarantees" before doing so. The initiative obviously has important backing from official circles. Members of Elite, who include elected officials, scientists, politicians and other influentials, will be meeting with the leaders of Eureka at The Hague on May 27. More than 2,000 influentials from the 25 European countries will be co-opted into this organization, whose aim is to inform the public at large of the important stakes in this fight.

IMF Reviews 'Global Financial Stability'

In its just-released semi-annual "Global Financial Stability" report, the International Monetary Fund claims that everything is just perfect right now, due to "solid global economic growth" and "buoyant financial markets." "At present, it is not easy to see which single event, short of a 'major devastating geopolitical incident or a terrorist attack' as highlighted in the September 2004 of the GFSR, could possibly trigger a sharp and abrupt reversal of this positive assessment."

However, in the case of a "combination or correlation of several less spectacular events," things could look quite different. Among the top risks is the financing of the U.S. current account deficit. "Any serious doubts about the willingness of central banks to accumulate dollars" could "trigger a further significant decline of the dollar and an increase in U.S. interest rates" which would hit the U.S. as well as the world economy. "Another possible source of concern could be a confluence of credit events, such as a downgrading of a major global company to subinvestment grade." At the London press conference featuring the report, IMF director Gerd Haeusler emphasized in this respect that corporate bond markets, following the recent GM-related turbulence, could easily further "deteriorate" in the near-term future. "If market conditions turn negative, many investors could rush to exit at the same time, causing market liquidity shortages that could amplify price movements." The report otherwise puts a special emphasis on the "recent proliferation of complex and leveraged financial instruments, including credit derivatives and structured products such as collateralized debt obligations" (CDOs).

United States News Digest

LaRouche Beats Former Mr. Universe on Pension Theft

California Governor Arnold Schwarzenegger surprised reporters at an April 7 press conference in Sacramento, when he announced his decision to drop plans to petition to place an initiative on the November 2005 ballot, to privatize the state public employees' pension plan. "Let's pull it back," he said, "and do it better." The initiative was the centerpiece of his plans to "reform" state government through a series of ballot initiatives, allegedly to save money in the near-bankrupt state. In reality, it was a thinly veiled plan to place the state's \$360 billion pension fund into the hands of the banker friends of George Shultz, Schwarzenegger's controller and chief economic "adviser."

Though Schwarzenegger argued that he did not make this decision based on growing opposition to his plan, this is just another example of his lying. The latest poll released the day of the press conference, from the Survey and Policy Research Institute of San Jose State University, shows that his popularity has plummeted: of those polled, 43% approve of the job he is doing, 43% disapprove. Large protest crowds have appeared at each of his recent fundraising events, with policemen and firefighters joining nurses and teachers, in opposition to his drive to dismantle state government. Police and firefighters joined the opposition when they learned that his plan to privatize their pensions, turning the CalPERS fund into individual 401(k) plans, would remove the death and disability benefits their families receive under CalPERS.

The California press is playing this as a defeat for Arnie, which it most definitely is. The Governor has been the target of a relentless organizing drive by the LaRouche Youth Movement, which has distributed hundreds of thousands of pamphlets identifying him as a puppet of Shultz, and his so-called pension reform as looting, modelled on the thievery of Chile's public retirement funds by another puppet of Shultz, former Chilean military dictator General Pinochet.

In his international webcast April 7, Lyndon LaRouche said that he expects that, with the reality of the economic crisis hitting, and the mobilization he is leading to defeat George Pratt Shultz, that he expects to see a "Pratt-fall" soon. You might say that, with Schwarzenegger being forced to retreat from his plan to steal the public pension funds of California, that Shultz has taken a hit in his soft underbelly!

Delay Hit Again, This Time for Trip to Russia

With the FBI already probing the secret lobbying operations of House Majority Leader Tom DeLay's former money-man Jack Abramoff, involving the National Center for Public Policy Research, two more trips arranged for DeLay by the group have been added to the pile of troubles for Texas Republican. DeLay is still screaming that the "liberals" are involved in a "conspiracy" to smear the good works of the conservative movement, and the Republican Party—i.e., him—but so far, DeLay's complaints are not stopping the investigations from proceeding—nor the details from leaking out.

The basic lines of the investigation leaked to the *Washington Post*, which ran the story on April 7, are the following: In 1997, DeLay and four staff members took a trip to Moscow, sponsored by the NCPPR; in Moscow, DeLay met then-Prime Minister Viktor Chernomyrdin (who had a close working relationship with Vice President Al Gore—which *EIR* exposed in 1999-2000 as overlapping Russian organized crime activities), and also with U.S. lobbyist Jack Abramoff, who had helped DeLay set up the massive fund-raising operation that DeLay uses as his power base.

The *Post* has exposed, however, that the cost of the trip, which included rounds of golf, and dinners in Moscow with Abramoff—about \$57,000, according to DeLay's office records—was actually paid by a mysterious company called Chelsea Commercial Enterprises Ltd., which has an address "listed variously as a post office box on the British island of Jersey ... or a law firm in the Bahamas." Sources who arranged the trip for the tax-exempt group the National Center, say that Chelsea paid for the entire trip. But Chelsea was a lobbying group for Naftasib, a Russian oil and gas concern, which was involved, in 1997, in the attempt to buy up the oil giant Yukos. Chelsea reportedly paid at least \$440,000 to fund lobbying aimed at building "support for policies of the Russian government for progressive market reforms."

Powell Refuses To Support Bolton Nomination

The appointment of knuckle-dragger John Bolton to represent the Bush Administration as Ambassador to the United Nations has exposed a bitter rift in the U.S. diplomatic corps.

In the latest case, all but one of the living Republican Secretaries of State—including James A. Baker III, Lawrence S. Eagleburger, Alexander M. Haig Jr., Henry A Kissinger, and George P. Shultz, wrote to the Senate Foreign Relations Committee to support neo-con Bolton's appointment to the UN.

Only former Secretary of State Colin Powell declined to endorse Bolton.

Bunker Busters Back on the Table

A Defense Department call for development of bunker-buster nuclear warheads was read into the record at hearings of the House Armed Services Committee on April 4. The statement, from Mira R. Ricardel, Acting Assistant Secretary of Defense for International Security Policy, said: "We don't need a smaller Cold War-era nuclear stockpile; we need capabilities appropriate for 21st century threats. That means we need to conduct a range of studies on potential weapon concepts including the completion of the Robust Nuclear Earth Penetrator study." The latter refers to the bunker-buster nuclear warhead.

Also, Linton F. Brooks, the manager of the nuclear stockpile, told the Senate Armed Services subcommittee April 1 that the Administration wants to begin concept and feasibility studies on replacement warheads.

By bipartisan agreement, the House Armed Services Committee last year stemmed development of new nuclear weapons systems, putting in its place the Reliable Replacement Warhead Program, which limited the budget to studying

replacement parts for updating existing warheads that might be aging.

Reid Warns: GOP Heading Toward Parliamentary System

Senate Democratic leader Harry Reid (Nev) said April 5 that he had met with Senate Majority Leader Bill Frist over the GOP threat to shut off extended debate using the "nuclear option" rule-change, and although they have a long way to go before the issue is resolved, "at least we're talking."

Reid insisted that "this is the most important issue I've ever dealt with, because it deals with this little Constitution of ours.... This nuclear option is about our Constitution."

Reid said that the Republicans are headed in the wrong direction with this—"what they're heading toward with this idea of nuclear option is a parliamentary form of government."

"And that is not how our Constitution was written, and it would be a disaster for our country to wind up having just one big House of Representatives here. The Senate has been, as has been indicated, the saucer that cools things around here. It's been that way for 217 years. It should stay that way."

Reid also blasted Rep. Tom DeLay and Sen. John Cornyn, both Texas Republicans, for their attacks and threats against the Federal judiciary. "These statements are really hard for me to comprehend and justify," Reid said. "I believe in our Constitution. I believe in the separation of powers doctrine. I believe that the Founding Fathers were wise in developing these branches of government—executive branch, legislative branch, judicial branch—one having no more power than the other."

Fight Brewing Over Patriot Act

In December of this year, 15 sections of the USA Patriot Act will "sunset," or expire, unless renewed by Congress. On April 5, Attorney General Alberto Gonzales, along with FBI Director Robert Mueller, appeared before the Senate Judiciary Committee to argue that the Act should be renewed in full. Senator Patrick Leahy (D-Vt.), the ranking Democrat on the committee, in his opening statement, indicated that he expected the "burden of proof" to be on the Administration. He indicated that the argument that "there are no proven abuses from the Patriot Act," doesn't wash, because most of the operations authorized by it are carried on in secret. He went on to detail a pattern of obfuscation by the DOJ, and said that the torture and other problems with detainees were a result of "policy decisions that were made at the top."

For his part, Gonzales is expected to "employ a softer tone," than his predecessor, John Ashcroft, but is only expected to agree to "tweaks" in the law, and no substantive changes.

On the same day, Senators Larry Craig (R-Id) and Dick Durbin (D-Ill), were expected to introduce a bill amending the most controversial provisions in the Act. "Cooler heads can now see that the Patriot Act went too far, too fast and that it must be brought back in line with the Constitution," said Gregory Nojeim, of the ACLU in Washington. At least 44 states and 375 communities are reported to have passed anti-Patriot Act resolutions, the most recent being the state of Montana.

Ibero-American News Digest

Colombian President Proposes Strategic Alliance with China

President Alvaro Uribe Velez left for Asia on April 4, accompanied by a delegation of 170 businessmen, to visit China and Japan. Before leaving, Foreign Minister Carolina Barco reported that the President planned to discuss with the Chinese, how Colombia could be developed as a transshipment center for Chinese exports heading to North America or elsewhere in Ibero-America. The director of Colombia's National Planning Department, Santiago Montenegro, who is also accompanying the President, reported on April 5 that the Colombian government had prepared a package of potential investments for China and Japan, in five sectors deemed strategic for the development of the country over the next 14 years: hydrocarbons and mining, trade, telecommunications, transport, and agriculture.

"We are looking with great anticipation to this trip, because ... the Chinese economy is already the second economy in the world, and within 15 years it will be the first in the world," Montenegro said. The Chinese will need more and more raw materials for this economic expansion, and Colombia would like to export coal, nickel, gas, manganese, gold, and other products to China.

On his second day of discussions in Beijing, President Uribe expanded the agenda. Colombia, he said on April 7, wants to form an alliance with China on fighting terrorism, similar to its alliance with the United States around Plan Colombia. "We want an alliance with China, a permanent one, so that this great people helps us in defeating the drug-trafficking terrorism which has done such damage to Colombia."

Colombian 'Godfather' Calls for Anti-Uribe Movement

In the wake of the historic March 29 four-party summit (see "South America Summit: Infrastructure Is the New Name of Peace," in this week's *Indepth*), rats have emerged from the sewers, crying for war against the Presidents of Colombia and Brazil.

First, the case of Colombia: On April 2, Alfonso "The Godfather" Lopez Michelsen, the former President of Colombia who turned the country over to the drug trade in the 1970s and defends the narco interests to this day, arranged a lengthy interview to leading national daily *El Tiempo* in which he called upon all political forces in Colombia to join together in a great "anti-Uribe movement," to defeat Uribe Velez's bid for reelection as President in 2006. That this 90-something evil Benthamite is looking for action against Colombia's current President before the elections, was made evident in his lie that Uribe Velez's reelection campaign will be based on the deployment of the paramilitaries against his opposition—a statement tantamount to calling the President a narcoterrorist. Immediately after issuing his call, Lopez Michelsen began meeting with trade-union and leftwing leaders, to coordinate on dumping Uribe.

Lopez Michelsen did not mention the March 29 summit between Uribe, Hugo Chavez, Lula da Silva, and Jose Luis Rodriguez Zapatero, but the neoconservative war-party is reeling over Uribe's eager participation in the summit, one of the high points of which was his beautiful map briefing on how South America must integrate its three great waterways, as it looks to cooperate with Asia.

Neocons Demand Brazil Be Added to Bush's 'Axis of Evil'

On April 5, Paul Weyrich — the ultra-rightwing Catholic who helped found the Heritage Foundation, the fascist hotbed of Northern Virginia's Christendom College, and the Moral Majority, among other groups—called for the Bush Administration to declare the Brazilian government of Lula da Silva a "significant threat to our security in our own backyard." Writing in the Internet publication *National Ledger*, Weyrich hyperventilated that Administration officials are focussed on Cuba's Castro and Venezuela's Chavez, when "we need to be equally concerned about Brazil under its leftist President," who is not the moderate he makes himself out to be. Weyrich expressed particular concern over the Lula government's organizing of the May 10-11 South American-Arab heads-of-state summit.

U.S. pressure on the Lula government is stepping up. On April 1—three days after the March 29 summit where Lula issued a public "No!" to Bush's war on Venezuela—the Brazilian daily *Folha de Sao Paulo* reported that a trip to Brazil by Secretary of State Condoleezza Rice is being finalized for the end of April. Two items lead the agenda, it reports: Venezuela, and the reform of the UN Security Council. Brazil wants a permanent seat on the Council, and it would not be the first time that the Bush Administration has told the Brazilians, that they must back the Bush provocations in the Americas, to get U.S. support for that.

The same day, *Tribuna da Imprensa* reported from Geneva, Switzerland, that U.S. Deputy Assistant Secretary of State Mark Lagon, preparing for the annual UN Human Rights Commission meeting, threatened Brazil over Venezuela. "Brazil must help promote democracy where it doesn't exist, and avoid backsliding. It will be Brazil's sovereign decision how it does this. But there still is no evidence that the role of Brazil with Venezuela is that of persuading President Chavez to return to the path of democracy," Lagon stated.

IMF, Bush Administration Hammer Argentina

International Monetary Fund chief Rodrigo Rato demanded to know what the Argentine government intended to do to "help" those bondholders who refused to participate in the debt restructuring, when he spoke at the conference of the Institute of International Finance (IIF) in Madrid on April 1. The Fund insists that until Argentina "helps out" the speculative vulture funds, the country will still be considered to be in default.

The day before, one of the first issues that Condoleezza Rice raised in her meeting with Argentine Foreign Minister Rafael Bielsa in Washington, was "concern" over the plight of vulture funds and bondholders who had rejected Argentina's debt-restructuring offer.

Lyndon LaRouche commented that the most appropriate response to Rice by Minister Bielsa would have been: "Are you speaking as an official of the Bush Administration, or as an agent of financial interests?"

The week before, Argentine Finance Minister Roberto Lavagna told U.S. Treasury Secretary John Snow categorically that the swap is closed, and the bondholders who refused to participate will be left out in the cold. The IMF intends to use this issue as a bargaining chip in negotiating any new agreement, but *Clarín* reported April 4 that Finance Ministry sources say that this is the line in the sand which the Kirchner government will not cross—even if it means not signing an agreement with the IMF. Argentina is hoping for a new agreement to refinance existing loans (\$4 billion comes due to the Fund between April and July), and to get funds the IMF was supposed to reimburse it last year. To avoid the IMF's blackmail, the government opted on April 1 to issue 6 billion pesos worth of new debt, to raise cash and indicate it's not in any hurry for an agreement.

The IMF is demanding the Argentine government agree to run a primary budget surplus—the amount set aside to pay debt—of 4.5% of GDP as a conditionality for a new stand-by agreement. This is far above the 3% established in the 2005 budget, and even more than the 4.25% of GDP which Brazil accepted in its last agreement with the IMF.

Pinochet's Destruction of Chile's Labor Force Never Ended

A report issued at the end of March by Chile's Chamber of Deputies reveals that Chilean companies widely practice outsourcing to fake companies they create for the purpose of denying workers their rightful benefits, while mechanisms allowing workers to appeal these practices are ineffective. Nor are financial resources available from the government to help enforce workers' rights, even though "labor reform" in recent years has supposedly eliminated some of the worst abuses of the Pinochet dictatorship. Anti-trade-union practices remain widespread, and only 5% of the country's 3.5

million salaried workers are covered by collective-bargaining.

The Congressional report pointed to numerous cases of "hiding the identity of the employer through apparent outsourcing," which leaves workers totally unprotected. Often workers who have accumulated significant benefits will be fired by one company, to be rehired by a subcontractor of the same firm—which is actually owned by the second firm—with no benefits and lower wages.

According to a recent Central Bank report, Chile has the most unequal income distribution in Ibero-America, after Brazil. Income distribution is even worse today, under the Socialist Party government of Ricardo Lagos, than it was under the Pinochet dictatorship.

Legal Prosecution of Pinochet and Collaborators Tightens

On April 4, the leadership of the Socialist Party filed suit against ex-Nazi Paul Schaefer, whose Colonia Dignidad cult was a key part of Pinochet's Operation Condor death squads of the 1970s, and Gen. Manuel Contreras, former head (under the Pinochet dictatorship) of the Chilean secret police, the DINA; the suit charges Schaefer and Contreras with being the authors of or accomplices in the crimes of "permanent kidnapping," illicit association, and disappearances of three Socialist Party members in 1975.

Horrific information has surfaced in recent weeks on the role that Schaefer and Colonia Dignidad played during the Pinochet dictatorship. Schaefer, a former member of the Nazi SS who took refuge in Chile in 1961, personally oversaw savage torture of prisoners detained by the DINA and held at Colonia Dignidad, prisoners who were later killed and "disappeared." He used poison on prisoners, developed at the Army Bacteriological Warfare Laboratory by Nazi scientist Eugenio Berrios, a collaborator of former DINA agent Michael Townley—replicating the ghastly "Nazi Doctor" medical experimentation and torture used in Nazi concentration camps in Europe during World War II.

Colonia Dignidad is now the subject of intense scrutiny by Judge Jorge Zepeda, who visited there on April 4, and interrogated some of the residents. On April 1, Pinochet and Schaefer were also charged with the crime of kidnapping. Schaefer is charged with sexual abuse of 26 minors at Colonia Dignidad, and last week five of his closest collaborators were indicted on charges of attempted cover-up of that sexual abuse.

Western European News Digest

Berlusconi Coalition Badly Beaten in Regional Elections

The Italian governing coalition of Prime Minister Silvio Berlusconi suffered a smashing defeat in regional elections on April 4, losing six out of eight regional governments it had held, including Piedmont, Puglia, and the important Lazio region which includes Rome. Of a total of 13 regions that went to the polls, the opposition won 11, while the "House of Freedoms" coalition won only two, confirming the Lombardy and the Veneto regional governments. However, Lombardy Gov. Roberto Formigoni, who was re-elected, had distinguished himself from the government policy on several issues, including the Iraq war, which Formigoni opposed.

From the initial results, it seems that Alessandra Mussolini's neo-fascist party did not win the expected votes, keeping under 2% at the national level. This result is expected to have an effect on the national government, where, already, minor coalition partners have started to blame Berlusconi for the defeat.

Blair Calls Elections

British Prime Minister Tony Blair has called elections for May 5, the long-expected date. Blair said Labour has a "driving mission" for a third term in office. Although there is not much support for the Tories, a lot of people want to give Blair an "electoral kicking," and it is very possible he will come out of these elections with a much-reduced majority.

Blair wants to make the economy the central issue of the election, but this poses problems. While Labour's ratings in the polls went up right after Chancellor Gordon Brown presented his budget last month, they have fallen again. Two weeks ago, Labour had an eight-point lead in the polls, but that lead is at most three points now, with Labour getting 37%, the Tories 34%, and the Liberal Democrats 21%. One poll, of those who said they are "certain to vote," put the Tories 5% ahead of Labour.

Parliament will be dissolved soon, but many MPs have already been campaigning. Some key legislation, which the government announced in the Queen's Speech last fall, will have to fall by the wayside, since there is little time to get it through Parliament. These include the controversial "identity cards" bill.

Prince Charles Postpones His Wedding—Under Orders?

Prince Charles decision to put off his wedding to Camilla Parker-Bowles, due to the funeral of the Pope, represents an upheaval in British institutions—and was not likely Charles's own choice. It is a big change, that the next Supreme Governor of the Church of England, and heir to the British throne, would put off his wedding (which took place April 9, the day after John Paul II's funeral) for a day, to attend the funeral of the head of the Catholic Church, as many commentaries note. But Charles had little choice.

First, the Archbishop of Canterbury, Dr. Rowan Williams, who was to bless Charles's civil wedding, made it clear he would go to Rome for the funeral, no matter what—itself an upheaval. Pope John Paul II was the first Pope to meet with the Archbishop of Canterbury—then Dr. Robert Runcie—since Henry VIII, 500 years ago. Then, Prime Minister Tony Blair, a supporter of Charles, also made it known he was going to Rome, and would have missed the wedding.

The Queen herself, reportedly not too happy with the marriage, told Charles he should put off his wedding and go to the funeral to represent her, according to press reports in *The Times* and the tabloid *Daily Mirror*. Charles was "said to be 'furious' after learning he had to represent the Queen at the Pope's funeral in Rome," the *Mirror* reported. The *Times'* headlines (later changed in the Internet version) said "Queen tells Charles to delay wedding," and reported that the Queen "personally intervened" to ensure that Charles obeyed. "The decision to postpone the royal wedding came after a conversation between the Prince ... and the Queen.... Buckingham Palace said that the Prince would be representing the Queen at the Vatican. 'That must take priority,' a Palace spokeswoman said."

Ecologist Super-Hoax in Germany

A resolution calling for 200 billion euros to be invested in renewable energies was passed April 6 by ecologist groups, firms engaged in the alternate energy sector, and others, called the "Declaration of Essen." In what comes as an ill-bred counter-move against BueSo's (the LaRouche-aligned party in Germany) ongoing Northrhine-Westphalia campaign for nuclear power, the declaration, signed in the presence of the Green Party's German Environmental Affairs Minister Juergen Trittin, calls for investments of 200 billion euros, to secure 20% of the German energy supply from "renewable" energy sources like wind, solar, tidal, and whatnot, by the year 2020.

For the same sum of money, Germany could instead build 40, or even 50 nuclear power plants, which would then supply

close to 100% of the national energy needs, by the same year. The Greens are not only crazy—they are also rather expensive, as one can see.

Germany's Potential in Indian Infrastructure Development

If German industry wanted to, it could have a major share in the giant Indian National Infrastructure Development Program. At a session of the Joint Indian-German Economic Commission in New Delhi April 4, India's Finance Minister Palaniappan Chidambaram said that his country wants to spend more than \$150 billion over the coming ten years, for development of transport, energy, and other infrastructure. Foreign direct investment of \$150 billion could be absorbed, in sectors like roads, ports, airports, power, housing, and telecommunications. Health and bio-tech are included as well. German industry's engagement has been "disappointing," however, in recent years, Chidambaram added, pointing to low average German direct investments of \$125 million per year.

Other, even less-developed countries than Germany, are much more engaged: with only 34.7% increase of German exports to India, in 2004, Germany's trade volume with India surpassed Saudi Arabia's trade volume, with \$8.2 billion against the Saudis' \$6.6 billion. Chidambaram will, by the way, visit Saudi Arabia, in April.

Spanish Parliament Debates 'Sell-Out' to France and Germany

In the aftermath of the European Union Heads of State debate two weeks ago, which ruled against a strict deficit-criteria interpretation of Maastricht (under pressure from France and Germany), a heated parliamentary debate erupted in the Parliament of Spain on April 7: The leader of the Partido Popular (PP), Mariano Rajoy, accused Spanish President Jose Luis Rodriguez Zapatero of having sold out the "interests of Spain, in order to defend the interests of Chirac and Schroeder." Rajoy fully supported fulfilling the deficit criteria of the Stability Pact: "You did not open your mouth on such serious subjects," he accused Zapatero, "except when you were smiling at the photographers." Zapatero attacked Rajoy as a man characterized by radicalism, fundamentalism, and conservatism—living outside of reality. "We came back from Brussels with excellent news, which helps set into motion the European economy again," Zapatero answered.

Russia and the CIS News Digest

Russia-Europe Economic Diplomacy Steps Up

Preparing for the May 10 European Union-Russia summit in Moscow, Russian Foreign Minister Sergei Lavrov arrived in Luxembourg on April 2, to meet with officials of the EU and its member nations. On the agenda were plans to sign the EU-Russian strategic economic partnership agreement at the summit. Whether or not that occurs, Russia seeks to advance its relations with individual EU countries, especially France, Germany, and Italy. On March 18, President Vladimir Putin attended a summit in Paris, with the leaders of France, Germany, and Spain.

On April 10, Putin and German Chancellor Gerhard Schroeder were set to open the Hanover Industrial Fair, a traditional annual event for Germany industry, this year with a special focus on the Russian high-tech sector, and projects to increase deliveries of German machines and machine-tools to Russia. The participation of 160 Russian companies marks the biggest ever such showing at an industrial fair outside of Russia. German press stressed that Russia wants to present itself as seeking not just to earn export revenues from raw materials sales, but to export industrial products as well.

Oliver Wieck, managing director of the Russia Trades Committee of the German Industry, said that "we expect Russia to develop beyond its role as a supplier of raw materials and of energy, into a partner for technologies." And Klaus Mangold, chairman of the same committee, said he expects direct German industrial investments in Russia to see another significant

increase this year, after a record high of \$2.5 billion in 2004.

On April 11, Russia and France were to sign a ten-year cooperation agreement on space technology, in Paris.

Akayev Resigns, Kulov Warns of Countercoup in Kyrgyzstan

"Askar Akayev has just signed a resignation from the post of Kyrgyzstan President, effective April 5," Kyrgyz Deputy Sadyk Djaparov told reporters outside Kyrgyzstan's embassy in Moscow on April 4. The official resignation ceremony took place at the Kyrgyz embassy. A resignation protocol signed by Akayev and a Kyrgyz parliamentary delegation pledges unconditional compliance with constitutional provisions on the President; deals with elections; and mentions international guarantees on the implementation of the protocol. These guarantees will be given by Russia and Kazakhstan, ITAR-TASS reported.

Also on April 5, Felix Kulov, a former Vice President of Kyrgyzstan turned political prisoner, warned that drug mafias might organize a countercoup, beyond the ouster of Akayev. Kulov announced he'll run for President. Like Akayev, he has roots in northern Kyrgyzstan, while Kurambek Bakiyev is recognized as the candidate of the south. Kulov also warned that (southern-based) Islamic radicals, especially the underground group Hizb-ut-Tahrir, were poised to step up their activities in hopes of establishing an Islamic-oriented government in the country.

Kulov told EurasiaNet that infighting in Kyrgyzstan's provisional government exposes the country to a counter-revolution, most likely carried out by "criminal structures." He said, "There are individuals who will attempt to take advantage of instability to retain influence. Maybe not in terms of politics, but they are losing money. Therefore, they will try to resist the new authorities and hamper attempts to restore order."

Russia and China Want To Stabilize Kyrgyzstan

In a March 28 telephone conversation, Chinese Foreign Minister Li Zhaoxing and his Russian counterpart, Sergei Lavrov, "reaffirmed the resolve of both sides to give all possible help to efforts to normalize the situation [in Kyrgyzstan] and restore law on the basis of the Constitution," the Russian Foreign Ministry reported. *The Hindu* newspaper reports that Russian President Vladimir Putin has told the Russian military to go ahead with the Collective Security Treaty Organization wargames with Kyrgyzstan and other Central Asian states, planned for April in Tajikistan.

Visiting Beijing on April 2, former Russian Prime Minister Yevgeni Primakov said that the events in Kyrgyzstan will not affect Russian-Chinese relations. He attributed the regime change there to socio-economic discontent and a lack of democracy, as well as fraud in the parliamentary elections, because many of Akayev's relatives had won seats, *RIA Novosti* reported. "I hope the CIS [Commonwealth of Independent States] will see no more revolutions," Primakov said.

Primakov was visiting in his capacity as president of the Russian Chamber of Commerce and Industry, and honorary chairman of the Russian-Chinese committee for friendship, peace and development, and spoke at the Diplomatic Academy of the Chinese Foreign Ministry.

Medvedev Warns of Disintegration

Dmitri Medvedev, chief of Russia's Presidential Administration, warned in an interview with *Ekspert* magazine that continued infighting in Moscow's corridors of power could lead to the disintegration of the country. "If we do not manage to consolidate the elite, Russia could cease to exist as a unified state," he said in the interview, quotations from which were widely circulated in an AFP wire. "We have managed to strengthen the state's unity and to ensure enough stability for

economic growth over recent years. But if we relax now and let ourselves be carried whichever way the waves go, the results would be disastrous. There are still serious problems that could cause public upheaval and lead to social cataclysms," when Russia goes to the polls in 2008 to choose a new President, Medvedev admitted. "The main risk is destabilization of public life due to terrorism or primitive economic mistakes and accompanied by widespread infighting among the elite," he pointed out.

Vulture Fund Threatens Russia

The Shipston Group, a Bahamas-based "investment group," has threatened legal action in the U.S. if minority shareholders in the Russian Yukos oil company are not compensated with a stake in Yuganskneftegaz, the Yukos production subsidiary. Yuganskneftegaz was sold at a government auction last year, to satisfy Yukos's huge tax arrears. Its new owner is the Russian state-owned oil company Rosneft.

The Shipston Group claims to be representing mutual funds; its threat is the first since Yukos's main shareholder Leonid Nevzlin promised more actions against Putin, after a U.S. bankruptcy court refused jurisdiction in the case. The Shipston threat looks toward a U.S. court decision for asset seizures of Rosneft/Yugansk oil deliveries, an action similar to vulture fund threats against the Argentine government.

Falin Continues Exploration of World War II History

"Immediately after [Franklin] Roosevelt's death, the priorities of U.S. foreign policy drastically changed," said Russian historian and former Ambassador to Germany Dr. Valentin Falin, in the most recent of his fascinating interviews with *RIA Novosti* military commentator Viktor Litovkin, on the Eastern Front in World War II and the launching of the Cold War.

"In [FDR's] last address to the U.S. Congress (March 1945), he warned, 'We shall have to take the responsibility for world collaboration, or we shall have to bear the responsibility for another world conflict.'"

But FDR's successor, Harry Truman, had a totally different policy, which was to break with FDR's ally the Soviet Union as fast as possible, and, under the tutelage of Winston Churchill, launch the Cold War. Truman wanted to break the U.S. alliance with Moscow as early as April 23, 1945, eleven days after FDR's death—which "could have happened if not for the opposition on the part of the U.S. military," said Falin. "The break-up with the Soviet Union would have meant that the Americans had to fight against Japan on their own" (the Soviet Union declared war on Japan on Aug. 8, 1945). U.S. generals "actually prevented a political catastrophe in April 1945. Not for long, though."

Falin said that the enormous Soviet effort to capture Berlin, and finally end the fighting (primarily with fanatical SS troops from all over northern Europe), was not only to bring the war to an end, but also "to make all possible efforts to foil a political gamble envisioned by the British leader [Churchill] with the support of influential U.S. circles, and to prevent the transformation of World War II into World War III, where our former allies would have turned into enemies." This plan had a name, Falin said: "Operation Unthinkable." "In the beginning of April 1945 (or end-March), Churchill issued an order to plan urgently Operation Unthinkable. The new war was scheduled to start on July 1, 1945. American, Canadian, and British contingents in Europe, the Polish Expeditionary Corps and 10-12 German divisions (the ones that had not been disbanded and kept in Schleswig-Holstein and Southern Denmark) were supposed to participate in the operation.

"Fortunately, President Truman did not support this, delicately speaking, Jesuitical idea. He had at least two reasons to reject Churchill's proposal. First, the American public was simply not ready to accept such a cynical betrayal of the common cause established by the very concept of the United Nations....

"[T]he major reason [was that] the American generals managed to convince Churchill to continue collaboration with the Soviet Union until Japan's surrender. Besides, the U.S. military brass and their British colleagues realized it was easier to start the war against the Soviet Union than to finish it triumphantly. The risk was too great for them to bear.... If you want, the Berlin operation was the Soviet response to the Operation Unthinkable, and the sacrifices made by Russian soldiers and officers were a warning to Churchill and his colleagues."

Southwest Asia News Digest

Pope's Historic Visit to Lebanon and Syria Recalled

The visits by Pope John Paul II to Lebanon have been referenced frequently since his death on April 2, as a symbol of unity and peace for the country. He visited the country in 1997, calling for coexistence between Muslims and Christians; and in 2001, during his pilgrimage to the Holy Lands, he went to Syria, where he became the first Pope to visit a mosque (in Damascus).

On April 4, in its coverage of the passing of Pope John Paul II, the Beirut *Daily Star* reported that at the Vatican residence in Harissa, Lebanon on May 10, 1997, the Pope signed the Apostolic Guidance—a 200-word document encompassing his views on Lebanon and urging coexistence in the country. "It is unthinkable that members of the same human community, living on the same soil, could come to distrust each other, to oppose each other, and to exclude each other in the name of their respective religions," he wrote.

During an open-air audience with 10,000 youth, the Pope told them they are the "treasure of Lebanon," and urged them to bridge the sectarian divide. "I ask you to be patient, destroy the barricades, build new bridges of communication among each other, work on sharing a social life and strengthen relations. For the rebuilding of Lebanon needs an essential key, the key of love," he said.

Speaking to reporters after the Pope's departure, then-Prime Minister Rafik Hariri stated: "It was very important for Lebanon and the Lebanese. The Christians are relieved he came, and the Muslims are happy too." Asked what he considered the most important aspect of the Pope's visit, he said: "His insistence on coexistence, national unity, and his condemnation of war."

A leader of the Maronite church in Lebanon shared his reflections with *EIR* on April 5, on what Pope John Paul II had done to set up the firm commitment to national and confessional unity being demonstrated in Lebanon now. He said that the Muslim population—even more than the Christian population—in their statements on the Pope's passing, have referenced his remarks during his visit to Lebanon in 1997; that Lebanon "is more than a country, but is a message of freedom and an example of East and West building their common home together.

"Almost as soon as the civil war was ended, the Pope called for a Synod for Lebanon. All the other Synods involved whole continents; this was the only one for just one country. All the Catholic sects participated in the Synod in Rome, and also the non-Catholic Christians, the Muslims, and the Druze," he said.

"After the Synod, the Pope wrote an Apostolic Exhortation for Lebanon, which called on us in reality to 'edify a just and equitable social and political system which respects the individuals and all the currents that form Lebanon in order to build their common home together.' The Exhortation was very politically specific and is the outline of our decisions about our plans for government. Yet, his influence was one of principle, and that is what guides us in our defense of unity. He gave us that mission. In his homily at the closing mass of the Synod, he quoted from St. Luke about how those who listened to the Beatitudes of Jesus came 'from the sea coast of Tyre and Sidon,' and added, 'Your ancestors of 2,000 years ago listened

to the words of Christ. But were they not spoken for us, for the people of our time, ... for the Lebanon of modern times?' And he ended his homily reading *I Corinthians* 13, and said, 'We must carefully reflect on the hymn to love if we want to work fruitfully for the reconstruction of Lebanon by contributing to the restoration of the spiritual and moral fabric of a society of such noble and ancient traditions.' So, he helped us discover the principles from which to build a nation based on the dialogue of civilization. His Apostolic Exhortation was called 'Hope for Lebanon.' "

Russia Expanding Economic Cooperation with Syria

Russia and Syria expanded economic cooperation at the third session of the Russian-Syrian committee for trade-economic and scientific-technical cooperation in Damascus on April 3. Minister of Regional Development Vladimir Yakovlev headed the Russian delegation.

A protocol signed by the two sides, envisages close cooperation in development of water resources, irrigation systems, and hydropower engineering. The largest projects will be the construction of the hydropower plant Halabia-Zalabia on the Euphrates, large-scale prospecting works for the upgrading of the irrigation system in Maskanah, and prospecting works for further construction of 20 dams on the Oront in northwestern Syria, and on rivers on the Syrian Mediterranean coast. Russian specialists will participate in the drafting of a plan for the use of Syrian water resources to the year 2030.

Syrian Minister of Trade and Economy Amer Hosni Lutfi called on Russian businessmen to make more investments in Syria. According to the minister, joint projects will be funded as the repayment of Syrian debt to Russia.

An agreement on final debt settlement will be signed during a Damascus visit of Russian Finance Minister Alexei Kudrin at the end of May. Syrian debt to Russia is about \$13 billion. During Syrian President Bashar al-Assad's visit to Moscow in January 2005, an agreement was reached to write off 73% of this debt.

UN Mandates Broad Investigative Powers on Hariri Assassination

The UN Security Council Resolution 1595, passed April 7, gives unlimited scope to the investigation of the assassination of former Lebanese Prime Minister Rafik Hariri. This resolution, backed by the United States, France, and the United Kingdom, passed the UN Security Council unanimously (15-0), but it acknowledged that Lebanon is going through a "difficult and sensitive period." The resolution does not specifically mention Syria, which was told in UNSC resolution 1559 that it must withdraw completely from Lebanon. That withdrawal is expected to be completed by April 30, according to statements from Syria.

The new resolution notes that, "the Lebanese investigation process suffers from serious flaws and has neither the capacity nor the commitment to reach a satisfactory and credible conclusion." It asks Lebanon to give access to all files and documents, to permit the UN team to "interview all officials and other persons in Lebanon," to enjoy freedom of movement throughout Lebanon to visit and inspect any site, and so forth. It also "calls on all States and all parties to cooperate fully with the Commission, and in particular to provide any relevant information they may possess to the above-mentioned terrorist act [the Hariri assassination]."

The investigation has a lifespan of three months, which can be extended another three months with a mandate to UN Secretary General Kofi Annan to report back on findings to the UN Security Council every two months, or sooner.

While the text of the Resolution does not mention Syria, the official UN press release notes that: "The action, in Security Council Resolution 1595, follows the recommendation of a UN inquiry mission into February's terrorist bombing, which found Lebanon's own probe was seriously flawed and declared Syria, with thousands of troops in its smaller neighbor,

primarily responsible for the political tension preceding the assassination."

On April 8, Lebanese Foreign Minister Mahmoud Hammoud issued a statement indicating that the Lebanese government will cooperate fully with the UN Commission. Hammoud said that it was in "Lebanon's best interests to have the commission's work completed as soon as possible to reveal the truth."

Hezbollah Leader Discusses Conditions for Disarming

The number-two man of Hezbollah, the Lebanese Shi'ite organization that holds a dozen seats in Parliament, said that the group could disarm if the conditions were right, reported *Gulf News* on April 8. Hezbollah's Shaikh Naim Qasem said that one alternative could involve Hezbollah's fighters becoming a kind of "reservist army" working with Lebanese authorities. He had floated the idea earlier in an interview with the Lebanese daily *An Nahar*. Qasem said that no talks could take place while Israel continued to occupy the Shebaa Farms area, a disputed border enclave between Lebanon, Israel, and Syria's Israeli-occupied Golan Heights. Lebanon says Shebaa Farms is Lebanese land occupied by Israel, while the United Nations describes it as Israeli-occupied Syrian territory.

"We will discuss [Hezbollah's] arms after Shebaa, but on condition that a credible alternative is found to protect Lebanon," Qasem told the *Financial Times*. "A reservist army doesn't mean the resistance becomes part of the army but it is a formula of coordination with the army. It is resistance by another name," he said. In a later statement, Hezbollah said that did not mean the guerrilla group would be subject to Lebanese Army orders, though they might coordinate to defend Lebanon. It said the details of any such scheme still had to be negotiated.

There has emerged a consensus, after much discussion, among Lebanese forces, including the opposition, that any steps in the direction of disarming, or redefining Hezbollah, would have to be taken within Lebanon by the Lebanese, not imposed from the outside.

Asia News Digest

China and India Strengthen Ties

There is distinct evidence that China and India have begun to work together to secure the energy they need to fuel their growing economies, the *Daily Times* of Beijing reported April 4. In volatile political arenas such as Sudan and Myanmar, which are both at odds with the United States, China and India have come together to exploit these countries' oil and gas resources. Many claim that cooperation has not excluded competition between the two. "Although there is competition, both sides share a common aim," said Zhou Fengqi, a high-level adviser in the Energy Research Institute of China's National Development and Reform Commission. Indian Petroleum Minister Mani Shankar Aiyar added, "We are always pitted against each other to the advantage almost always of the third country."

In Sudan's Greater Nile Project, Indians and Chinese are partners. India's Oil and Natural Gas Commission (ONGC) has stakes in oil and gas projects in countries including Iran, Russia, Libya, and Australia, and plans to spend about \$2 billion this year on overseas acquisitions. The Chinese state oil giant CNPC has invested billions of dollars in projects around the world including Indonesia, Azerbaijan, Syria, Algeria, Ecuador, Peru, Chad, and Kazakstan.

China, India Should 'Safeguard Interests of Poor Nations'

Indian Prime Minister Manmohan Singh wrote that India and China should "join hands" to "safeguard the interests of

developing nation," in a letter to Chinese Premier Wen Jiabao, who will be visiting India this week, according to *China Daily* April 3.

"As the world becomes increasingly interdependent, it is important for our two countries to join hands to harness the positive forces of globalization and safeguard the interests of the developing countries," Singh wrote, in marking the 55th anniversary of the establishment of diplomatic ties between India and China.

"Both India and China share the aspiration to build a just, equitable, and democratic international political and economic order on the twin pillars of multi-polarization and multilateralism," Singh wrote. The sustained growth and diversification of India-China relations in recent years reflected their common commitment to take the bilateral relationship to "new heights, while proactively addressing our differences in a fair, reasonable and mutually acceptable manner. As two of the world's largest developing economies, the tasks that we face are profound, but our determination is resolute."

Rising Home Prices Threaten China's Economic Stability

Rising property prices pose a threat to the stability of the Chinese economy, the state council said in a six-page document being circulated to city governments and domestic media, *Xinhua* reported April 4. In Shanghai, city home prices have risen 18% in the past year, and the situation is "worthy of concern and attention," Central Bank Governor Zhou Xiaochuan said March 9. In all China, property prices rose 10.8% in the fourth quarter year on year. "Excessive growth in housing prices has directly undermined the ability of city residents to improve their living standards, affected financial and social stability and even influenced the health of the national economy.

"Local governments must put on the agenda the important task of stabilizing housing prices. People in charge will be held responsible if there are no effective measures to prevent housing prices from rising too fast," the document says.

Millions in China Still Live in Abject Poverty

China still has 26.1 million people living in abject poverty, despite its economic growth. Abject poverty in China means living on an income of less than 668 yuan (US\$80.5) a year, according to *China Daily* April 5.

Some 100 million more people live "just above" this level, and anything—an accident, medical problems—can be disastrous for them, Liu Jian, head of the Leading Group Office of Poverty Alleviation and Development under the State Council, said at a national conference on poverty in early April. It is a strategic mission for China to reverse the situation of the rural poor, he said. Crucial steps include training migrant workers from the countryside, and the acceleration of the industrialization process. Beijing is to allocate 13 billion yuan (US\$1.6 billion) this year to fight poverty, and all other levels of governments are to match these funds.

China Protests Doubling of Iron Ore Prices

China is putting pressure on Australia to stop BHP Billiton, the world's biggest mining company, from doubling prices of iron ore delivery. The China Iron and Steel Association is publicly complaining that BHP Billiton, which recently raised iron ore prices by 70%, to \$46 a ton, is charging too much. Three-quarters of iron ore trade is handled by BHP, Rio Tinto, and Brazil's CVRD. Billiton, by far the nearest to China, is demanding almost 20% more for its ore than China agreed to pay the other two producers, allegedly because China "saves" on getting ore from Australia. If China accepts this, it would mean accepting an eventual 100% increase in the price of iron ore. BHP wants China to raise steel prices by 15% to compensate.

In response, the China Iron and Steel Association has released a statement that "16 major steelmakers, including Baosteel, Anshansteel, and Wuhansteel, have reached a common understanding. They turned down an unreasonable request from Australia's BHP, which has been demanding another \$7.50-\$10 per ton for freight charge of iron ore, saying the demand was in breach of international convention." The European Commission made a similar complaint last month.

Deadly Thai Bombings Spark Fears of Spreading Insurgency

Deadly April 3 bombings in the southern Thai city of Hat Yai have sparked fears that insurgents may be expanding operations, AFP reported April 4. The bombings hit an airport, a French-owned Carrefour supermarket, and a hotel in Hat Yai, just north of the three largely Muslim provinces in the south, is the south's largest city, with its largest airport. Two people died and some 75 were injured, including four foreigners, in the blasts, which were the most ambitious attacks outside the three mainly Muslim provinces which have been wracked by a separatist insurgency since January 2004.

Thai Prime Minister Thaksin Shinawatra said his government would not use force to retaliate against the bombers and declined to specifically blame Islamic separatists, saying: "Even though the attackers use violence, the government will maintain its peaceful measures." But national police chief General Kowit Wattana said police believe the attacks were linked to the insurgency that has roiled the three southern provinces of Yala, Pattani, and Narathiwat. The April 3 blasts came after a week of new peace efforts by Thaksin's government, which has been widely criticized for his heavy-handed response to the insurgency that has claimed more than 630 lives.

IMF Man Works with Wolfowitz To Subvert Asian Nations

Anwar Ibrahim, the IMF asset who tried to subvert Mahathir in Malaysia in 1998, is working with Paul Wolfowitz to subvert all of Asia. As Deputy Prime Minister and Finance Minister of Malaysia under Prime Minister Mahathir bin Mohamad when the speculators destroyed the Southeast Asia currencies in 1997-98, Anwar worked with the IMF, Al Gore, George Soros, and others to impose the IMF program on Malaysia, and tried to bring down Mahathir, until Mahathir imposed currency controls and Anwar went to prison in September 1998. Now, the Johns Hopkins School for Advanced International Studies (SAIS) in Washington, formerly run by Anwar's dear friend Paul Wolfowitz, has hired Anwar (released after six years in prison) as a visiting fellow.

Anwar gave his first speech in the U.S. at SAIS on April 5, praising Wolfowitz for his years of friendship and support, and praising him as a great choice for the World Bank.

Anwar then joined in the "Wolfowitz" plan for the subversion of Southeast Asia, trying to turn Indonesia against Malaysia (and ultimately against China, although Anwar would not say so). Malaysia is a dictatorship, in need of regime change, said Anwar, and criticized the U.S. Administration for failing to see this fact. Indonesia, not Malaysia, is the true model of an Islamic democracy, he said. Anwar exposed his game when, after praising the democratization of Indonesia since the economic collapse imposed on it in 1998, as the "greatest Asian event of the century," he added: "Now, if they could just end corruption and get some economic growth, they will be in good shape."

EIR asked Anwar: "The IMF, after destroying several SEA economies, at least had the decency to admit they had made a mistake. You were known as the proponent of IMF policy in Malaysia, until Mahathir stopped it. Will you now also admit that, had your policies been imposed, Malaysia would have suffered the same fate as Indonesia?" Anwar did not shy away from admitting his support for the IMF—"but not all the IMF policies—I told them they should not impose cuts on health and education for the poor in Indonesia."

He admitted that he had circulated the policy proposals of George Soros within the government, before his removal from office, and lied that Mahathir had blamed the speculative attacks on "the Jews."

Africa News Digest

Marburg Fever Outruns Tardy Control Measures in Angola

Marburg hemorrhagic fever is now raging out of control in Angola—with a death rate of 100%. There is nothing to prevent it from spreading far beyond Angola's borders. The outbreak, which began in October with three cases, had grown to 20 new cases in January, 31 in February, and 75 in March. But in the first seven days of April, there were 79 new cases.

These figures count only known cases of persons who died in hospital or whose corpses were found in tracing contacts. Among Angola's very poor population, these cases are markers for a much larger epidemic.

Unlike any previous outbreak of Marburg Fever, the mortality rate for this outbreak is 100%—suggesting that a deadly mutation has taken place. There is no known case of a living patient being discharged; the only living cases are those who "have not been sick long enough to die," in the words of Dr. Henry Niman, president of Recombinomics, a Pittsburgh biotech firm, in a March 31 commentary on its website. No treatment is known. The current outbreak, the first in an urban setting (town of Uije and surrounding towns) is also the largest ever.

Marburg Fever is caused by a virus of the family *Filoviridae*, to which Ebola virus also belongs. The African green monkey is a host to both. It spreads on contact with body fluids. After five to ten days of incubation, onset of fever, chills, and headache is sudden. Five days after the first symptoms, rash, nausea, vomiting, diarrhea, bleeding from bodily orifices, and chest and abdominal pain typically appear. Death usually follows within days.

The response of the international health community has escalated sharply in recent weeks, seeking to contain the outbreak. The World Health Organization (WHO), U.S. Centers for Disease Control, International Red Cross, Doctors Without Borders, and institutions in South Africa, Britain, and Canada have all flown in experts to help the government with all tasks, from lab work to training health workers to building and running isolation wards.

There are now surveillance networks in six northern provinces surrounding the epicenter, Uije, and in Uije province itself. The capital province of Luanda is among the six. An intensive campaign to educate Angolans in every possible forum is under way.

But the international effort is well behind the curve. As late as March 26, Dr. Niman reported that "basic barriers such as gowns, gloves, and masks are lacking, facilitating the spread of the virus." At that point, doctors and nurses were dying. No wonder the hospital staff in Uije panicked and fled.

Since then, WHO has sent 1,100 pounds of personal protective equipment and other supplies for infection control. But in a bulletin issued April 5, the International Red Cross reported that boots, masks, overalls, gloves, disinfectants, chlorine for water disinfection, megaphones, and food for volunteers were still urgently needed. It had allocated \$54,000 for the items, but the money had not yet been spent.

At Americo Boa Vida hospital in Luanda, as of April 4, experts were still working around the clock to finish an isolation ward begun a week earlier.

Panic over Marburg Fever in Angola

In Uije province, health workers have allegedly been attacked and killed by residents, as reported to CNN by a WHO worker April 8. The residents understand only that the health workers take their kin to hospital, and then they die. Mobile surveillance teams in Uije province suspended operations April 7 after their vehicles were attacked and damaged. WHO staff learned April 8 of several deaths, but were unable to investigate the cause of death or collect the bodies for safe burial.

A large number of people are fleeing Uije province, epicenter of the outbreak, doubtless spreading the disease in the process. The Director of Health for Kwanza-Norte province, Miguel Sebastiao Gaspar, told the Angolan news agency ANGOP April 7 that many from Uije province were arriving in the town of Ambaca in Kwanza-Norte province.

WHO Appeals for \$2.4 Million To Fight Marburg Fever

The World Health Organization launched an appeal April 8, through the UN, for \$2.4 million to support the emergency response to Marburg Fever.

WHO recommended April 7 that three countries that surround Angola—Namibia, the Democratic Republic of Congo, and Zambia—and the nearby Republic of Congo (Congo-Brazzaville) should go on alert.

In a preemptive move in South Africa, "Solly Mabotha, spokesperson of the national health department, said isolation wards had been prepared in hospitals in all nine provinces and health practitioners had been thoroughly briefed," according to News24 April 7. There has been one death attributed to Marburg in South Africa. Tissue has been flown to the Centers for Disease Control in Atlanta, Georgia, for testing.

Sudan Defiant Over UN Authorizing ICC War Crimes Trials

Sudan is defiant over the UN authorization of trials of Sudanese by the International Criminal Court (ICC), for alleged war crimes in Darfur in western Sudan. The British-influenced Sudanese opposition party favors the trials. Sudan's cabinet, chaired by President Omar al-Bashir, concluded April 3 that the UN Security Council resolution, giving the ICC jurisdiction over Sudanese suspects, "is contradicting justice and objectivity and violating national sovereignty," Information Minister Abdel Basit Sabdarat told the press.

On state-run TV April 1, a member of the ruling party, Abdul Galeel Nazeer Karori, a leading Islamist, said, "We will not allow any arrest or trial of a Sudanese official" by the ICC. The president of the Lawyers Union, Fatahi Khaleel, echoed his statement April 2, adding, "We will resist it by all means."

Two thousand participated in an angry demonstration against the UN Security Council resolution in Khartoum April 2. They chanted anti-U.S. and anti-French slogans, including "Down, down, USA, we will not be governed by the CIA," and "Death to America." The ruling National Congress Party called it the beginning of a mass mobilization.

Sadiq al-Mahdi, the British-influenced leader of the opposition Umma Party, told Al-Jazeera TV April 1 that Sudan should send the suspects to the ICC for trial. Mahdi was Prime Minister in 1989 when he was overthrown by Bashir. Mahdi and his party have operated in Sudan since 1999, after reaching an agreement with Bashir.

Egypt Supports Sudan's Opposition to ICC Trials

Egypt says Sudan can try suspects referred to the ICC, to avoid ICC trials. Egyptian Foreign Minister Aboul Gheit said on April 6, after meeting Sudan's Foreign Minister Mustafa Isma'il in Cairo, that "The ICC ... issues accusations, but if the

internal judiciary in the country concerned plays its role, then it negates the need for the criminal court. If there appears to be any reluctance ... or attempt to dodge these accusations, then ... the ICC will make a move against the accused."

Opposition Umma Party Banned in Sudan Over ICC Trials Issue

The British-influenced opposition Umma Party has been banned in Sudan, for its stand in favor of International Criminal Court trials for Sudanese suspected of war crimes in Darfur (see above), according to party members who spoke to BBC News April 7. The party has been forbidden to engage in political activities. Its headquarters were stormed by police, and dozens of members arrested there, on April 6.

The Umma Party is led by former Prime Minister Sadiq al-Mahdi, whose family has radiated British influence since 1898, when Lord Kitchener conquered the country.

Nigerian President Smashes National Labor Umbrella Body

Nigerian President Olusegun Obasanjo on March 30 signed into law a bill he will use to break up the national labor umbrella of 29 unions, the National Labour Congress (NLC), according to government statements of intention. The law gives the government the power to decide whether unions can form a federation, and sets strict conditions that must be met before a union or a federation can strike. It forbids unions from compelling anyone to join a strike.

The NLC led four strikes during 2004 against fuel price increases as Obasanjo, guided by IMF orthodoxy, progressively reduced government subsidies. There was significant overlap between the strike movement and the movement to impeach Obasanjo.

Obasanjo's successes in stifling national opposition are likely to strengthen Nigerian separatist movements.

Nigerian Secessionists, Charged with Treason, Seek Bail

Fifty-two members of the banned Movement for the Actualization of the Sovereign State of Biafra (MASSOB), charged with treason, were in court in Lagos March 22 seeking bail; the judge is to rule on the request April 11, according to AP March 23. They have been in jail for six months on charges of treason and plotting war against the President and the Army, and were arrested on the playing field when they organized a soccer tournament in Lagos, Sept. 11, 2004.

The arrests were probably a response to the successful stay-at-home organized by MASSOB in Iboland, southeastern Nigeria, on Aug. 26. The circular calling for that action was printed under a "Republic of Biafra" banner and coat of arms. The Sept. 11 arrests may also have been a response to the declaration of support for MASSOB Sept. 8 by the leader of Biafra in the 1967-70 Nigerian civil war, former Lt. Col. Chukwuemeka Ojukwu.

MASSOB was formed in 1999. It opened Biafra House in Washington in 2001 and operates Radio Biafra in the United States, and it rallied in support of the U.S. invasion of Iraq.

This Week in History

April 11 - 17, 1945

Remembering FDR on the 60th Anniversary of his Death: — How He Kept a Roof Over Our Heads

It is sometimes difficult, 60 years after the death of Franklin Delano Roosevelt on April 12, 1945, to comprehend how much he did to create the structure of modern American life. Many things that we take for granted did not exist before his Presidency, or were hopelessly inadequate. One of the programs which reflects his philosophical outlook and its implementation in economic practice is his effort to stop the escalating home foreclosures during the Great Depression.

Most everyone has seen the well-known image from America's early silent films, where the evil villain, stroking his mustache, tries to foreclose on an overdue mortgage and throw the elderly widow out on the street. This was not a Hollywood invention—it was a painfully familiar scene to Americans during the decades before Roosevelt's election. Any citizen of average means who tried to buy a home before 1933 faced interest rates between 6-8%, but could only obtain a mortgage for a term of three to five years. Often the first mortgage could not cover the purchase, and so a second mortgage had to be obtained, and this at rates up to 10%, and for a shorter term than the first.

Complete payment of any mortgage was almost an impossibility, because there was no plan of amortization and therefore a large lump sum became due after just a few years. When the mortgage matured, the "homeowner" had little choice between being foreclosed on, or refinancing by paying exorbitant extra charges and continuing payments which rarely decreased any of the principal because they were always paying off the interest.

Two examples will suffice to make the picture clear. The heirs of an estate in Pennsylvania paid off a \$2,500 mortgage which had been placed on a farm in 1868, and they discovered that more than \$10,000 had already been paid in interest without reducing the principal. Another family paid \$2,520 in interest on a \$2,000 mortgage over a period of 21 years without any reduction of the principal at all.

Then the Great Depression hit in November of 1929, and foreclosures escalated at a cruel rate. President Roosevelt wrote, in 1938, that, "One of the major disasters of the continued depression was the loss of hundreds of thousands of homes each year by foreclosure. The annual average loss of urban homes by foreclosure in the United States in normal times was 78,000. By 1932 this had increased over three and a half times, to 273,000. By the middle of 1933, foreclosures had advanced to a total of more than 1,000 per day. Not only did this cause the obvious hardship of loss of homes, but it froze and endangered the assets of the various mortgagees—insurance companies, mortgage banks, savings banks, savings and loan associations, and other financial institutions, which held the savings of over 30,000,000 of our people."

With conditions constantly worsening, President Roosevelt sent a message to Congress on April 13, 1933, asking for legislation to "protect small home owners from foreclosure and to relieve them of a portion of the burden of excessive interest and principal payments incurred during the period of higher values and higher earning power.

"Implicit in the legislation which I am suggesting to you is a declaration of national policy. This policy is that the broad interests of the Nation require that special safeguards should be thrown around home ownership as a guarantee of social and economic stability, and that to protect home owners from inequitable enforced liquidation, in a time of general distress, is a proper concern of the Government."

By June 13, Roosevelt was signing the Home Owners Loan Corporation (HOLC) Act, which created many of the safeguards and standards with which we are familiar today. The Corporation was capitalized with a \$200 million subscription by the U.S. Treasury to its stock, and was authorized to issue bonds to the total amount of \$2 billion, in exchange for first mortgages on urban homes. Further increases in the amount of dollar authorizations provided funds for the repair and reconditioning of homes. To stabilize the institutions which granted the mortgages, a provision of the act

stated that \$300 million could be invested in those institutions or in the bonds, debentures, or notes of Federal Home Loan Banks.

As President Roosevelt wrote: "What the Corporation did to accomplish its emergency task was to buy the mortgages of distressed home owners from those institutions and individuals who held them and were unwilling or unable to grant further extensions and concessions to the mortgagor.

"A large proportion of these mortgages were written on a short-term basis for one, two, or five years; and when the Corporation assumed them, many were subject to steadily accumulating delinquencies.... Interest rates on both short-term and long-term loans were high, and great numbers of them were weighted with premiums, commissions, service charges, and extra fees of various kinds which added to the load borne by the borrower.

"The Corporation rewrote all of the loans at a 5% interest rate and allowed a period of 15 years for repayment. All of the initial charges such as appraisal, title fees, etc., and all delinquent taxes and assessments were paid by HOLC, and consolidated with the principal of the loan....

"In cooperation with the Reconstruction Finance Corporation, HOLC was able to place nearly half a billion dollars in circulation to the benefit of small depositors by exchanging its bonds for that amount of frozen mortgage assets in closed banks of the country. The Corporation not only kept the home owners in their homes, but protected the depositors in these closed institutions and stabilized the collapsing home financing structure of the Nation. Funds amounting to hundreds of millions of dollars were released for further investment in new mortgages for building or purchasing of homes, or to meet the demands of investors who sought to withdraw their funds immediately....

"Almost one-quarter of a billion dollars in delinquent taxes were paid to State and municipal governments by HOLC on behalf of its borrowers. The taxes paid had an important influence in reviving the market and restoring the prices for municipal bonds. Through these disbursements many communities have been helped to maintain intact over a desperate period their schools and other essential public services, have been able to operate with less borrowed money, and, in some cases, have been saved from defaulting on their own maturing bond issues."

Of course, President Roosevelt was attacked for creating a debt which would supposedly drag down future generations. At Forbes Field in Pittsburgh on Oct. 1, 1936, President Roosevelt gave a ringing answer to those critics. He said that when his new administration came to Washington in 1933, "We saw the millions out of work, the business concerns running in the red, the banks closing. Our national income had declined over 50%—and, what was worse, it showed no prospect of recuperating by itself....

"Something had to be done. A national choice had to be made. We could do one of two things. Some people—who sat across my desk in those days—urged me to let nature take its course and continue a policy of doing nothing.... To have accepted this advice would have meant a continued wiping out of people of small means, the continued loss of their homes and farms and small businesses into the hands of people who still had enough capital left to pick up those homes and farms and businesses at bankruptcy prices.

"It would have meant, in a very short time, the loss of all the resources of a multitude of individuals and families and small corporations. You would have seen a concentration of property ownership in the hands of 1 or 2% of the population, a concentration unequaled in any great nation since the days of the late Roman Empire....

"To balance our budget in 1933 or 1934 or 1935 would have been a crime against the American people. To do so we would either have had to make a capital levy that would have been confiscatory, or we would have had to set our face against human suffering with callous indifference. When Americans suffered, we refused to pass by on the other side. Humanity

came first....

"And now a word as to this foolish fear about the crushing load the debt will impose upon your children and mine. This debt is not going to be paid by oppressive taxation on future generations. It is not going to be paid by taking away the hard-won savings of the present generation. It is going to be paid out of an increased national income and increased individual income produced by increasing national prosperity."

And it was.

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