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This Week You Need To Know

FROM LYNDON H. LAROUCHE, JR.

Emergency Action by the Senate

April 13, 2005

1.1 An increasing number and variety of relevant specialists have been joining an international chorus which is warning, in effect, that an ongoing, systemic economic collapse of the world's presently reigning, monetary-financial order, has now entered its terminal phase. As some leading voices in government, and relevant others, have indicated, since September 1998, the world has entered a period of historic crisis, when the time has come that nations must act in support of a common interest, to create a new financial architecture for the world at large.

1.2 Although a unified majority opinion on the design of a new permanent financial architecture, has yet to be formed among relevant authorities, certain stop-gap actions not only may, but must now be adopted and implemented, to forestall the presently threatened, irreparable damage to our physical economy. That damage is only typified by the presently accelerating crisis of the U.S. automobile industry. Any liquidation of the present structure of the physical productive capabilities of that industry, especially its vital machine-tool sector, would mean both the end of the U.S.A. as a leading physical economic power, and related kinds of chain-reaction damage to the world economy as a whole. Emergency action to avert that outcome must be taken now.

1.3 The international complex of machine-tool-dependent physical production, as typified by the presently troubled General Motors and associated enterprises, is now at the verge of not only financial bankruptcy, but also, the threatened physical dissolution of the machine-tool and other essential and related physical-economic elements of the related, present productive capacity. This is the case, not only in North America and Europe, but the world at large. The leading implication of the ongoing financial and physical economic condition of that and related industries, is that government must now be mustered to act in accord with the implied, relevant principled, constitutional obligation of our modern nation-state. That imperative is the essential, constitutional obligation of the modern sovereign form of nation-state, to promote the general welfare, both as individual republics, and in concerted action among nations.

1.4 The point has been reached, at which certain qualities of remedial action must be taken through the initiative of the U.S. Federal government. Without some action by our government, there is no adequate means to prevent an early plunge of both the U.S.A. and world economy into the depth of what would soon become an incalculably deep and prolonged world crisis. This is a crisis as deadly, or probably more deadly than that associated with the Great Depression, tyrannies, and wars of the 1929-1945 interval. There is nothing comparable to that presently onrushing crisis, in severity, in the experience of relevant living persons in the U.S.A., during their lifetimes. Unless corrected, the present crisis would now become quickly far worse than what was experienced in western Europe or the Americas during the so-called Great Depression of the 1930s....

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InDepth Coverage

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***Executive Intelligence Review*, Vol. 32, No. 16**

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Feature:

AN EMERGENCY RECONSTRUCTION POLICY

Recreate Our Economy!

by Lyndon H. LaRouche, Jr.

April 2, 2005

At this moment the U.S.A. is gripped by the greatest world monetary-financial crisis of more than a century. Although the U.S. economy itself has been in a process of uninterrupted decline for more than three decades, the majority of our citizens have been in a state of denial of this reality of the onrushing disaster, until most recently. Therefore, the illusion still rampant among leading institutions and the population generally, is that the presently onrushing collapse of the U.S. economy itself dates about the time of the 2001 inauguration of President George W. Bush, Jr. ...

- **Education Specialty: Post-Industrialism**

During the last 50 years, more and more Americans have been getting undergraduate, graduate, and post-graduate degrees—but in what?

National:

FROM LYNDON H. LAROUCHE, JR.

Emergency Action By the Senate

April 13, 2005

An increasing number and variety of relevant specialists have been joining an international chorus which is warning, in effect, that an ongoing, systemic economic collapse of the world's presently reigning, monetary-financial order, has now entered its terminal phase. As some leading voices in government, and relevant others, have indicated, since September 1998, the world has entered a period of historic crisis, when the time has come that nations must act in support of a common interest, to create a new financial architecture for the world at large.

A GOP Revolt Against Bush-Cheney Insanity

by Jeffrey Steinberg

In March, the four-year vise-grip that the Bush-Cheney White House had enforced over Congressional Republicans came to an end, when the White House demanded that \$16 billion be slashed from Medicaid payments in the FY 2006 budget. Seven moderate Republican Senators joined all 44 Democrats and Independent James Jeffords (Vt.) to deliver a blow to the Administration's killer austerity schemes. And days later, it took a last-ditch White House effort to prevent a bipartisan Senate defeat of the entire Bush-Cheney budget, by convincing Sen. Susan Collins (R-Maine) not to abandon the Administration.

Is Sharon's Visit the Calm Before the Storm?

by Michele Steinberg

Israeli Prime Minister Ariel Sharon came to the U.S. April 10 with a 'wish list' which includes: a U.S. action against Iran which permanently removes any nuclear technology—including production of energy for civilian purposes; President George W. Bush's blessing for the creation of 'Greater Jerusalem,' including a massive expansion of Israeli settlements around the city; and the desire that the Administration begin condemning Palestinian President Abu Mazen (Mahmoud Abbas), so that after the unilateral Gaza withdrawal, Sharon could return to his insistence that Israel 'has no partner for peace negotiations.'

Physical Economy Is Only Issue in Arnieland

by Harley Schlanger

There is no question that the Schwarzenegger Project, which was launched by George Pratt Shultz in the summer of 2003, along with the recall of former California Governor Gray Davis, is in trouble. After a year of smooth sailing in office, with a fawning press contributing to favorable ratings in the polls, the kick associated with having a Hollywood action hero as Governor is rapidly diminishing.

LaRouche in Dialogue with Democrats

The Only Solution Is for Dems To Show Leadership, and Rebuild the Economy

This dialogue occurred during the question-and-answer period of the April 7, 2005 webcast given by Lyndon LaRouche in Washington, D.C. The discussion was moderated by Debra Freeman.

Economics:

Republican Budget Resolutions In Search of a Dollar Blowout

by Paul Gallagher

For a nation approaching a \$750 billion annual rate of deficit in its trade and current accounts, and facing multiple warnings of the threat of a collapse of its currency, the Bush Administration's proposed U.S. Federal budget for 2006—in both its current forms as Republican Senate and House budget resolutions—is an exercise in dangerous economic incompetence.

Rebuilding Waterways Is Badly Needed, Unfunded

by Richard Freeman and Mary Jane Freeman

America's nation-wide waterways system needs an emergency mobilization to save it. Water-management—especially the inland waterways system of rivers, ports, and harbors—is, due to age and obsolescence, on the verge of breakdown, which could so severely disrupt goods transport, as to cause paralysis of the U.S. physical economy. Half of river lock and dam systems, essential to navigation are 50-90 years old, with crumbling infrastructure causing 'unscheduled unavailability'—shutdown. On an integrated series of river systems, this could prove fatal.

Italian Resolution

A Call for a New, Just Monetary System

The following resolution, which was crafted in collaboration with Lyndon LaRouche's political movement in Italy, passed the Italian Chamber of Deputies, on April 6, 2005. It was introduced by Rep. Mario Lettieri, who cited LaRouche's New Bretton Woods proposal in motivating the passage.

China Takes Precautions Against 'Financial AIDS'

by Mary Burdman

The debate about China's overdependence upon foreign capital and investment—its vulnerability to catching 'financial AIDS,' as EIR warned many Chinese policymakers before and after the 1997 Asian financial crisis—is a national hot topic again. The new-generation government in Beijing has set up a group of institutions to develop a 'scientific approach' for the future of the economy, and these discussions are certainly reflected in recent harsh warnings from some leading authorities in China's national financial system.

German Investments in Russia Reach New Phase

by Rainer Apel

The 'Week of Russian Industry' at the Hanover Industrial Fair, which began on April 10 with speeches by German Chancellor Gerhard Schröder and Russian President Vladimir Putin, and ended on April 16, brought considerable progress in economic relations between Germany and Russia.

Among the deals signed in Hanover, the joint ventures in the railway and natural gas sectors mark a new phase in cooperation: Whereas relations in the past were predominantly characterized by Russia being the raw materials supplier and Germany the supplier of machines and other industrial equipment, now German companies are beginning to make long-term investments in Russian industry.

- **Germany Must No Longer Neglect India**
by Rainer Apel

During the 1950s and 1960s, even into the 1970s, German industry's engagement in India was one of its biggest in the world outside Europe. But since the 1980s, this engagement has been on a steady decline, and appeals by Indian politicians and businessmen to the Germans to get more involved, have mostly fallen upon deaf ears. Direct investment by Germany in India is ridiculously low, at about \$125 million during the last few years.

International:

India and China Agree on Set of Historic Accords **by Mary Burdman**

Chinese Prime Minister Wen Jiabao called his April 9-12 visit to India 'historic,' when he spoke to the Indian press after his extensive talks with his Indian counterpart Manmohan Singh in New Delhi. On both sides, the results of trip were considered to be even better than had been expected—and Wen Jiabao had said already in November 2004 that his visit to India was the most important diplomatic event on his agenda. The agreements reached were wide-ranging, dealing with overall relations, economic cooperation, and, most crucially, the long-standing border conflict between the world's two most populous nations.

LaRouche Addresses Argentine Crisis

At his April 7 webcast, Lyndon LaRouche received two questions from listeners at a meeting in the Argentine Congress. Here are excerpts from his replies. Q: Mr. LaRouche, can you identify what other causes, besides the financial changes, that have brought the world to this current situation of crisis? LaRouche: We could say the problem is fascism. . . .

In Memoriam

Maxim Ghilan: A Fighter for Peace

by Dean Andromidas

Maxim Ghilan, a political collaborator and dear friend of the LaRouche movement for more than two decades, died on April 2 in Tel Aviv. Peace activist, author, strategic thinker, and poet, Maxim dedicated his life to bringing peace between Israel and Palestine.

Investigation:

The Christian Coalition: The Nature of the Beast **by Anton Chaitkin**

"While many people are squawking about the fact of there being a religious right controlling the government, the reality is that the present government—the Bush Administration and its friends—created a pseudo-religion, like a Roman cult. And it is this religion which is being used as an instrument of tyranny by a rotten government. . . . People talk about the 'religious right.' There is no religious right. There is a state-based religion. ..."

U.S. Economic/Financial News

The Auto Industry Helped U.S. Get to the Moon and Mars

The auto industry, which is now threatened with extinction, as GM and Ford spiral down into bankruptcy, in the 1960s was key to the U.S. space program. Without the in-depth and broad mobilization of the manufacturing and engineering capabilities of the Midwest industrial heartland, there would have been no U.S. space program. The machine-tool and auto industries, with their highly-skilled workforce, particularly in Michigan and Ohio, created the precision technology needed to go into space. Even before President Kennedy announced the Apollo lunar-landing program in May 1961, the B. F. Goodrich Company in Akron, Ohio, in the heart of the rubber industry that produced the tires for automobiles, had designed the space suits to protect the Mercury program astronauts. Later, the Goodrich Corp. produced the tires, brake assemblies, wheels, and landing gear for each of the Space Shuttle orbiters.

When the Apollo program was announced, Chrysler Corp. bid on, and was awarded, the contract to design and manufacture the first stage of the huge Saturn V rocket that took astronauts to the Moon. That Michoud plant, outside New Orleans, which today produces the external fuel tanks for the Space Shuttle, is the largest manufacturing facility in the country.

Ford Motor Company established a space division in 1976, and until the unit was sold to Loral in 1990, designed and manufactured advanced commercial communication satellites for domestic use and for export.

In the 1960s, most American cars used nearly 200 parts manufactured by TRW Corp., headquartered in Cleveland. TRW went on to build altitude control rocket engines for the Apollo Saturn V rocket, as well as commercial communications satellites. And the two Rovers that are today exploring Mars use precision ball bearings designed by auto-supplier Timken Company in Canton, Ohio.

That this capability is going down the tubes is evidenced by the fact that Timken is relocating most of manufacturing facilities to China. But the remaining, highly flexible engineering and manufacturing, skilled manpower of the industrial heartland can and should be quickly expanded for a vast expansion of U.S. programs to explore space.

Business Fears Openly Supporting Social Security Privatization

Although nearly 100 trade associations on the national and state level have joined the White House-initiated Coalition for the Modernization and Protection of America's Social Security (COMPASS) which is campaigning for private Social Security accounts, individual companies are leery of publicly supporting privatization, reported the *Los Angeles Times* April 11.

An *L.A. Times* survey showed that only two of the 20 largest U.S. corporations are willing to publicly support Bush's plan; the rest are staying out of it. The *Times* says that the trade associations serve as a buffer to protect the individual companies, which are under heavy union pressure, including pressure from union pension funds, which often hold company stock.

Unions Denounce Detroit Mayor's Austerity Budget

Under a savage \$2.8 billion budget plan proposed by Detroit Mayor Kwame Kilpatrick, a staggering 754 city workers would be laid off, including an unspecified number of police chiefs and inspectors, 61 firefighters, and 38 emergency medical services personnel. Union workers would face a 10% cut in wages and a reduction in health-care benefits. Kilpatrick also threatened layoffs of police officers who patrol the streets, unless the City Council approves the budget.

Wall Street applauded the harsh cuts. "Those sound like the things the city needs to get back on track," said Standard & Poor's analyst Jim Wiemken.

About 100 members of city unions marched outside the municipal center in protest against the austerity.

Lautenberg Challenges Bush's 'Kill Amtrak' Budget

In response to questioning by Sen. Frank Lautenberg (D-N.J.) at a nomination hearing of the Commerce Committee, on April 12, New York Transportation Commissioner Griffin Boardman—Bush's nominee for Federal Railroad Administrator—could not confirm that New York would pay for rail service if Amtrak is not funded by the Federal government. "If New York can't afford rail service without Federal help, how can other states?" challenged Lautenberg.

Were Congress to approve the President's proposal to eliminate Amtrak funding, shifting the costs to the states, Boardman told Lautenberg that New York may not be able to afford the cost of inter-city passenger-rail service in the state.

"The President proposes to bankrupt our passenger rail system," Lautenberg charged. "If President Bush kills Amtrak, 850,000 American workers will be cut off from their jobs and will be forced onto already crowded roads, bridges, and tunnels," he said.

Demand for Steel Declining in U.S.

Demand for steel in the U.S. is beginning to slow, weakening prices and prompting steelmakers to cut back production, the *Wall Street Journal* reported April 14. Benchmark steel prices in the U.S. have declined for six straight months. International Steel Group, now a part of Mittal Steel, temporarily idled operations in Cleveland; Nucor Corp. has scaled back production; and U.S. Steel Corp. is scheduling temporary shutdowns for repairs. Steel production in the U.S. has dropped by nearly 10% in the past year. The prices for raw materials such as iron ore are rising. The world's three largest iron-ore producers, based in Australia and Brazil, recently boosted contract prices by about 70% for steelmakers. Energy prices have also increased. At the same time, demand for steel is being affected by the poor outlook from their major customers—automakers.

Fed Official Issues Warning on Credit Derivatives

At a conference in Nice, France, on April 12, the risks posed by collateralized debt obligations (CDO) and other complex financial products were emphasized by a senior Federal Reserve official, reported the *Financial Times* April 13. Michael Gibson, head of the Fed's trading risk analysis, noted that a significant minority of investors rushing into the debt-linked asset market (such as credit-default swaps, leveraged loans, or asset-backed securities) may not fully understand the risks attached to these instruments. After the CDO market's recent rapid expansion, investors—including hedge funds, banks, and insurance companies—could face large unexpected losses once overall default rates in the corporate sector increase, he said.

Last year, about \$120 billion of CDOs were sold to investors. Just five years ago, CDOs basically didn't exist. Other participants at the same conference stated that in particular hedge funds were rushing into CDOs recently, in order to find some high-yield investments for their swelling pool of capital.

World Economic News

Brazilian Default Has International Financiers Worried

A potential Brazilian default worries international financiers, according to what "one of Latin America's most influential

Finance Ministers" told Argentina's daily *La Nacion* April 12. Attending the meeting of the Inter-American Development Bank (IADB) in Okinawa, Japan, this unnamed minister said he agreed with IADB President Enrique Iglesias that Brazil was a real worry, despite the fact that its economic situation had "improved" enough that it recently decided it didn't need an agreement with the IMF.

This worry about Brazil, plus discussion of Argentina's debt restructuring, were topics of hot debate at the IADB meeting, taking place a week before the IMF's annual conference April 16-17. There was significant bludgeoning of Argentina in Okinawa over the issue of reopening the completed bond swap, which will intensify at the IMF summit. An hysterical Japanese Finance Minister Sadakazu Tanigaki used his speech before the IADB to charge that the Kirchner government had acted in "bad faith" in its negotiations with creditors, without giving them other options. "We cannot allow Argentina's way of dealing with its debt to become a bad precedent, because then this would constitute a moral hazard," Tanigaki said.

Moral hazard? From Berlin, where President Nestor Kirchner is on a five-day state visit, an unidentified high-level member of the government's delegation stated that the IMF "isn't acting in good faith," because, by pressuring the government to reopen the bond swap to the "holdouts," it is now effectively demanding 100% bondholder participation. Finance Minister Roberto Lavagna warned against the IMF's "discriminatory" stance toward Argentina, and told media that he replied to Tanigaki "with absolute clarity and firmness." When you talk about good faith, he said, "you have to start at home, because Japanese as well as Italian banks acted in bad faith when they sold to retail investors what had been clearly defined as bonds for sophisticated institutional investors."

United States News Digest

Senate GOP Fears Losing Campaign To End Filibuster

Many Senate Republicans fear that they are losing the political battle over ending the filibuster for judicial nominations, *The Hill* reported April 14, and there is rising concern among them that they are losing to Senate Democratic Leader Harry Reid's warroom operation. "I think there's a realization that this particular effort," referring to Reid, "has to be countered," said one GOP aide. "I think that people know we've got a serious problem here."

Some GOP Senators say that when they were home during the recent recess, they heard more about the so-called "nuclear option"—the attempt to deny the filibuster to the minority party, in this case the Democrats—than about Social Security.

Another *Hill* article provides some more background on the Senate parliamentarian, who, according to Reid, says that he would rule against a Republican effort to use a majority-vote rule-change to end the filibuster for judicial nominees. The parliamentarian, Alan Frumin, was appointed by former Senate Majority Leader Trent Lott, after Lott fired his predecessor.

The *Hill* also revealed that a Congressional Research Service report, just recently updated, also opposed the Republican plan, stating that any such move would be a departure from Senate precedents.

Delay Issues Fake Apology

While House Majority Tom DeLay (R-Texas) did utter the words, "I apologize," several times for his statements that judges should be impeached, or punished for their rulings, such as in the Terri Schiavo case, he was not truly convincing.

The press conference where he apologized came after a visit he made to the U.S. Senate, where he met with members of the Judiciary Committee, and demanded that they read all the court rulings pertaining to the Schiavo feeding-tube case, and then come up with legislation to prevent the judges from ever getting away with such rulings again. In plain talk, DeLay

was calling for a legislative override of the judiciary, in violation of the Constitutional separation of powers.

Meanwhile, DeLay's fundamentalist buddies at the Judeo-Christian Council for Constitutional Restoration were holding their own press conference defending DeLay and escalating their assault on the judiciary. Rick Scarborough, a Texas buddy of Tom DeLay and acting chairman for the Council, said that, "not since the Nuremberg War Crime trials have so many government officials cloaked themselves in the argument that they were only doing their duty." Then he took a swipe at clergy who didn't come out in the Schiavo case, saying, "in Germany of the Nazis the pulpits were silenced then with horrific results. Have we so quickly forgotten the lessons of history?" He used this as the start of his defense of DeLay, adding that DeLay was right for calling for an investigation of the Judiciary.

Rep. Miller Requests Another Probe of Abramoff

Washington lobbyist Jack Abramoff, already under investigation for bilking Indian tribes out of millions of dollars, is the target of a request by Rep. George Miller (D-Calif) for the House Resources Committee to look into Abramoff's lobbying activities on behalf of the Northern Mariana Islands in the 1990s. Miller's request comes after reports last month that Northern Mariana Islands government auditors had questioned whether the territory got its money's worth when it paid Abramoff's firm.

Miller writes: "I believe there is more than enough initial evidence to warrant a thorough and bipartisan investigation of Mr. Abramoff and potential Congressional wrong-doing in the territories."

Kerry Blasts Voter Suppression, Dirty Tricks in 2004 Vote

Speaking April 10, at a meeting of the Boston League of Women Voters, Sen. John Kerry (D-Mass), the 2004 Democratic Presidential candidate, went into a hard attack on the Republican vote suppression in the November 2004 elections. Kerry told the group, "Last year, too many people were denied their right to vote, too many who tried to vote were intimidated. There is no magic wand. No one person is going to stand up and suddenly say it's going to change tomorrow. You have to do that." The CNN/AP story on the Kerry speech specifically cited a suit filed in Ohio, charging a widespread pattern of vote suppression. The suit was dismissed by the Ohio Supreme Court.

Kerry also told the League of Women Voters about how voters were duped into not voting: "Leaflets were handed out saying Democrats vote on Wednesday, Republicans vote on Tuesday. People are told in telephone calls that if you've ever had a parking ticket, you're not allowed to vote." The AP story also noted, "Earlier this year, Kerry joined Sen. Hillary Clinton, a New York Democrat, in filing voting reform legislation. The Count Every Vote Act would create a Federal holiday for voting, require paper receipts for votes, and authorize \$500 million to help states upgrade voting systems and equipment." Kerry said, "We need to go about the business of making our own democracy in America work better."

Senate GOP Rejects \$2 Billion for Veterans Hospitals

On April 13, Senate Republicans defeated by a vote of 54-46 a Democratic effort to provide almost \$2 billion in additional health-care funding for veterans.

Senator Patty Murray (D-Wash) proposed providing \$1.98 billion in additional funding for veterans' care to an emergency spending bill to fund the war in Iraq and Afghanistan. She said VA hospitals were underfunded and overcrowded. Republicans denied the VA facilities had such serious problems.

Reid Blasts Bush Threat To Default

On the 60th anniversary of the death of President Franklin Roosevelt April 12, Democratic Leader Harry Reid (Nev.) held what he called a "Digital Fireside Chat" to commemorate FDR's work, especially in the establishment of the Social Security system. "People depend on Social Security, that's the way it has been, and the way it should be, and we're not going to allow that to change," Reid said. As to President Bush's plan, Reid called it "a scheme to get rid of Social Security."

Reid also talked about Bush's recent stunt at the Bureau of Public Debt in Parkersburg, W. Va., where "he had some file cabinets there, and he pulled out all these IOUs, and he said this is what backs up Social Security. Now think about what he said," Reid stated. "For him to go out there in West Virginia, and stand up and say, 'Are these notes any good?'—he's talking about the credit of the United States of America. Savings bonds. Forty percent of those are now purchased by other countries, and he's saying we're going to default on all these loans. If that happens, I can't imagine what would happen to the world and to our country."

Democrats Announce GI Bill for the 21st Century

Congressional Democrats are challenging the implicit assumption in the Republican budget that military personnel and military veterans are too expensive, by offering up a package of provisions to improve access to health-care services and education benefits for veterans of both active-duty services and the reserves. It also would make available to 400,000 eligible veterans concurrent receipt of both retiree pay and disability pay, which is currently not allowed for all but a handful of such veterans and protect the income of reservists who currently lose income when they are activated. It includes provisions on active duty end strength, and on insuring that troops have adequate equipment and supplies when they go into combat.

House Minority Leader Nancy Pelosi (D-Calif) evoked the memory of Franklin Delano Roosevelt, who said the original 1944 GI Bill "gave emphatic notice that the American people won't let our veterans down when they come home." Pelosi also said that many of the provisions in the package are supported by Republicans, including one, a bill on concurrent receipt, which is sponsored by Rep. Mike Biliarakis (R-Fla). Pelosi indicated afterwards that while no Republicans have endorsed the package as a whole, she thinks the Democrats can get pieces of it through on the basis of priorities, such as the partial fix on concurrent receipt two years ago, and the increase in the death benefit more recently.

Flanking Pelosi were Reps. Ike Skelton (Mo), and Lane Evans (Ill), the ranking Democrats on the House Armed Services Committee and Veterans Affairs Committee, respectively, retired Gen. Wesley Clark, freshman Rep. John Salazar (D-Colo) and Steve Robertson of the American Legion. Clark, after having given the package a ringing endorsement, said, "It's got to go through. Now, it's a matter of priorities on the part of the Congress and the administration, together.... Now, the American people, especially those who served and their families, are watching to see if we have the courage to follow through on the promises made to do what's right for those who served and their families."

Ibero-American News Digest

Will Argentina's Kirchner Stop Paying IMF?

Flying to Germany on April 11 for a five-day state visit, Argentine President Nestor Kirchner was reported to have told close aides, that if the International Monetary Fund didn't stop its blackmail of Argentina, his government would cease to treat the IMF as a "privileged creditor" which gets paid first, and instead, "prioritize payments to those bondholders who accepted" the government's bond swap. Argentine daily *Clarín's* April 13 headline summarized the implicit threat: "Kirchner studies suspending payments to the IMF if there is no agreement."

Argentina has paid some \$12 billion in debt since its December 2001 default, and owes at least another \$12 billion. Should it decide not to pay the IMF, it could pull the plug on that bankrupt institution.

The IMF is telling Argentina that it will not sign a new agreement with the country, until it cuts a deal benefiting the foreign vulture funds and speculators that refused to participate in the government's original offer. Kirchner reiterated to aides on the flight that the recently negotiated bond swap, which offers 30 cents on the dollar for defaulted bonds, "will not be touched." Instead of paying the "privileged" IMF, he said, he would prefer to focus on those 76.6% of bondholders who decided to participate in the official debt restructuring.

Kirchner followed with a dramatic speech to the Friedrich Ebert Foundation in Berlin on April 14, in which he charged that "genocidal" policies imposed by the IMF upon Argentina, had brought about "one of the worst socio-economic catastrophes of its history, a catastrophe which exploded in 2001." This catastrophe, he said, was the product of "a political economic model at the service of interests foreign to the common good, which favored the proliferation of the corrupt, genocidalists, and thieves." The IMF "should be restructured," he told his German audience. Argentina will "participate in an active and constructive way on behalf of a new world economic order, without renouncing any autonomy in its decision-making."

Before that speech, Kirchner held a very positive, working meeting with German Chancellor Gerhard Schroeder.

Bush Administration Failed to Impose Candidate on OAS

The inability of the Bush Administration to impose its candidate for Secretary General upon the Organization of American States (OAS) on April 11, is the latest demonstration sign of how the Administration is losing control, less than six months after its alleged 2004 electoral "triumph." This was the first time, in at least 30 years, that the OAS had failed to elect the U.S.-backed candidate as its chief.

The Bush Administration had campaigned, in its typically nasty fashion, for months, to line up support for former Salvadoran President Francisco Flores, an abject Bush lackey, but three days before the OAS vote, the Bush team acknowledged that their man had no support, and had him withdraw. Determined to block the Chilean candidate supported by the majority of South American countries, the U.S. threw its support behind a Mexican candidate.

That failed, too. At the Extraordinary Session of the OAS on April 11, the Foreign Ministers voted five times for a new Secretary General, and five times the result was a tie (17-17). The election was then rescheduled for May 2, leaving time for pressure tactics, horse-trading, and even new nominations.

The Mexican candidate, President Vicente Fox's Secretary of Foreign Affairs Ernesto Derbez, is identified as the candidate of the NAFTA countries and the political supporters of the Free Trade Agreement of the Americas (FTAA); the other contender, Chilean Interior Minister Jose Miguel Insulza, is supported by the bloc that was most active in the formation of the South American Community of Nations, the Brazilian-led initiative which looks to integration of infrastructure as a path to peace.

Chilean Trade Union Federation Mobilizes for Justice, Real Democracy

Chile's Unified Labor Federation (CUT) called in foreign correspondents on April 11 for a briefing on their strategy for a year-long mobilization to bring real democracy to Chile, the "model" free-trade country where the labor, political, and economic conditions continue to be essentially those created by George Shultz's Pinochet dictatorship. CUT President Arturo Martinez—best known for his appeal to the U.S. Congress to reject a fascist pension plan—i.e., privatization of

Social Security, based on the Chile model—circulated throughout the United States in a LaRouche PAC pamphlet, described the stark reality of life in Chile which they are fighting to change.

The CUT intends to have 60-70,000 people at the May 1 Labor Day demonstration this year, Martinez said, a huge jump over what they have mobilized in recent years. This will be a year of assemblies, mobilizations, and perhaps a national strike, he said, because we have to begin "to demonstrate power."

Chile is a nation of frightened people, he said. "When the electricity gets cut in Argentina, people go out to protest; in Chile, we go out to buy candles. We live in a society of fears.... They pacified us and domesticated us through the market, and with the credit cards to which we are indebted five times more than we make. We are afraid that we can't pay our debts at the end of the month; that we will be fired; that some member of the family may become ill, because health care is so expensive; afraid of not being able to educate our children; afraid of old age, because pensions are miserable."

Despite its "macroeconomic indicators," Chile will never become the developed country its leaders proclaim, until the huge gap between rich and poor is breached, he said. Half a percent of our 15 million inhabitants are very rich, and hold all the power. Another 10% are moderately rich, and the rest of us are indebted.

The CUT is stepping forward to secure the changes needed to open up the political system and secure collective bargaining, dignified pensions, and justice for labor.

Synarchists Move To Block Mexican Presidential Candidate

After months of expectation, Andres Manuel Lopez Obrador, Mexico City's Mayor, and foremost Presidential candidate in next year's elections, was stripped of his legal immunity on April 7 by an unholy alliance within the Mexican Congress of all but 12 members of the opposition PRI party, and all the ruling PAN party members, making 360 votes against 126. Some 300,000 Mexicans or more demonstrated in the Zocalo (the central plaza) of Mexico City in protest, as the vote was counted.

The move permits Lopez Obrador to be tried on charges of contempt of court, stemming from the city government's having disobeyed a court order against building a hospital access road through a certain property. In addition to being stripped of his immunity, he has also been dismissed as Mayor. He will be tried, and if found guilty by the courts, his Presidential candidacy could be blocked—which is obviously the point of this whole process.

Lopez Obrador is the leading candidate from the PRD party. He repeated to his supporters on April 7, that he will continue his campaign from jail, if that comes to pass, and shouted a slogan from President Benito Juarez during the War of Reform against 19th-Century Synarchists: "The triumph of the reaction is a moral impossibility."

Central America Needs a Marshall Plan, Not Free Trade

Guatemalan Bishop Alvaro Leonel Ramazzini Imeri asked the U.S. House of Representatives Subcommittee on the Western Hemisphere April 13 not to approve the Dominican Republic-Central American Free Trade Accord, commonly known as CAFTA. What Central America needs, instead, he suggested, is a Marshall Plan. With 80% of the Guatemalan people living in extreme poverty, having no access to education, and 69% of Indian children in the country—a major portion of the population—being undernourished, it is not possible to speak of Guatemala being "competitive."

AFL-CIO Vice President Linda Chavez also told those hearings that the CAFTA "would further oppress the Central American workers and their salaries," while costing the U.S. more jobs. She gave the figure of 900,000 U.S. workers who

have lost their jobs over the 10 years of NAFTA.

U.S. supporters of CAFTA are sure of only about 80 firm votes in the House, well short of the 215 needed, and their hope of building momentum for CAFTA in the Senate was dealt a blow at Senate Finance Committee hearings April 12, when several Republican Senators sharply complained about the accord's provisions.

Brazilian Central Bank Chief Under Fire Again

Brazilian Central Bank chief Henrique Meirelles will face charges of tax evasion, illegal international money transfers, and election-law violations, if the Supreme Federal Court (STF) approves Prosecutor General Claudio Fonteles' April 3 request for an investigation to be opened into Meirelles for such crimes, allegedly committed when he was the international president of BankBoston, before moving to the Central Bank.

This is a hot one. Key institutional forces in Brazil would like to oust Meirelles, for his policy of usurious interest rates, in particular. But, the Lula government has been warned by foreign financial interests that Meirelles is considered the "guarantee" that the government will keep playing by the rules of their game.

On April 10, Vice President Jose Alencar, serving as Acting President while Lula da Silva visited Africa, jumped in to demand a change in economic policy from the Central Bank. The bank's insane metric of "fighting inflation," should be replaced by the metric of economic expansion and "maximum job creation." Alencar told reporters. Brazil needs "to grow," in order to have resources to invest in education, health, and security. "All the public services, throughout Brazil, need more resources to improve their quality.... All of them are inadequate, because they lack resources. And why do they lack resources? Because there is little growth."

Alencar, a businessman from the Liberal Party which last year issued a call for an FDR-modelled policy, made clear his target is not President Lula, but the benchmark interest rate—which is back up to 19.25%. No matter how high interest rates are set, they won't stop the inflationary effect of global oil prices, nor the "absurd" increases in electricity and telephone rates granted under privatization contracts signed by the previous government. Alencar said: I am against a monetary policy which aims to cut consumption, in a country where under-consumption is the rule.

Western European News Digest

Italian Press Covers Parliamentary Vote for New Bretton Woods

Several Italian press agencies covered the Parliamentary vote of Italian Deputy Mario Lettieri's motion for a New Bretton Woods monetary system. Following the vote on April 6, a long press release on the debate and vote on the Lettieri motion, referencing Lyndon LaRouche's role in promoting the New Bretton Woods international campaign, has widely circulated among Italian press and political circles. In the past few days the release has been published by four press agencies, including *Osservatore Politico Internazionale*; *Agenparl* (distributed to all parliamentarians and other political institutions); *Aise* (for Italian organizations and institutions worldwide); based in Rome; and *Iniziativa Meridionale*, based in Naples.

French Prime Minister Challenged To Support a New Bretton Woods

In the context of a trip to the city of Lyons to campaign for the adoption of the European Constitution, French Prime Minister Jean-Pierre Raffarin was confronted by members of the LaRouche Youth Movement, who challenged him to support the call endorsed by 50 Italian parliamentarians calling for a New Bretton Woods monetary accord.

The challenge was made in the presence of 1,000 people, including nine French Deputies, two French Senators, and a European Union Deputy.

In the question period, a LaRouche Youth member reminded Minister of Justice Dominique Perben, who was moderating the meeting, that only months ago, he had answered quite positively to the need to overcome the obstacles to productive investments which the European Union Stability Pact and the Maastricht Treaty represented.

Asked, again, in Lyons, Perben protested, "Only that!" When the LaRouche youth named Lyndon LaRouche, there was a moment of silence followed by security and police being called to break the tension.

German Social Dems Rediscover the State's Economic Role

Presenting the work going on inside the SPD on a new party platform, party chairman Franz Muentefering April 13 attacked the "power of capital," and the fact that "human beings today are only viewed as appendices of growth, profit, consumption, or as a commodity on the labor market." The globalized economization of society has gone so far, he said, that many are only interested in "maximizing" short-term profit and "reducing the role of the state" to a "repair shop."

He added that, instead of this "market economy purism," the SPD wants a "social market economy," with a visible role of the state, as is guaranteed in the German Constitution. Muentefering attacked those who see the state as an obstacle, as posing a threat to democracy.

Muentefering later added that the state must be present in all areas that are vital for society: 1) to secure municipal investments to be made; 2) to secure the social security systems; 3) to make investments, securing a future through long-term engagements, 4) to invest in basic research, in energy, transport, medicine, and not to wait to see whether the free market shows an interest in these areas.

Thyssen-Krupp Workers Remind Schroeder of the Transrapid

At a Northrhine-Westphalia election campaign event of the Social Democrats with factory councillors in Krefeld April 12, German Chancellor Gerhard Schroeder received a present: a desktop model of the latest version of the Transrapid, given to him by the workers of Thyssen-Krupp. Perhaps this reminder will help the Chancellor to begin thinking about maglev projects in Germany.

Sharp Decline in European Car Sales in March

The depressed state of European domestic economies, combined with record-high costs for fuel prices, becomes more evident daily. According to the European Automobile Manufacturers Association (EAMA), Western European car sales dropped by 4.7% in March, compared to one year ago. In the first quarter of the year, sales were 3.3% below last year's level. Worst hit among automobile producers were Fiat (-17%), Peugeot (-9.0%), and Renault (-6.7%). Peugeot, which is Europe's second-biggest carmaker behind Volkswagen, just announced a cut of 850 jobs at its plant in Ryton, England. Renault said on April that it will cut production by one quarter at its factory in Valladolid, Spain. Among countries, car sales dropped the most in Italy (-8.6%) and Britain (-5.1%).

While Eastern Europe is not included in the EAMA data, some countries, such as Poland and the Czech Republic, reported even more dramatic declines in car sales during the first two months of the year.

Polish troops will leave Iraq by end of 2005

In a much-publicized press conference April 13, Polish Defense Minister Szmajdzinski officially announced that Poland has decided to pull its troops from Iraq by the end of 2005. Poland is one of the last members of the "coalition of the willing" to announce this move. Poland has run a multinational stabilization force in the south of Iraq (the country has deployed a total of 10,000 soldiers, since 2003), and began to reduce its own contingent from 2,400 to 1,300 soldiers at the beginning of this year. The Defense Minister stated that the new move would also be a "recommendation" for the next government.

As is widely reported, latest opinion polls show that a growing number of Poles are against Poland's military engagement in Iraq. Given the political disarray in the ruling (post-communist) party SLD, and the forming of an alliance among the conservative parties, the ruling SLD government under Prime Minister Marek Belka is expected to lose power in the upcoming parliamentary elections, which are to take place in October.

Russia and the CIS News Digest

Russian Ambassador: 'In the Spirit of the Elbe'

Russia's Ambassador to the United States Yuri Ushakov wrote in the *Washington Times* of April 13 that Russian and American veterans of World War II will meet again on April 25, this time at Arlington National Cemetery, to commemorate the 60th Anniversary of the meeting of the Soviet and U.S. armies on the Elbe River in Germany. When Russian and U.S. soldiers met, they drank toasts to Russian-American friendship, and they swore an oath of peace, Ushakov notes. He says that "the fact of history is that the fate of the world during World War II was decided on the battlefields of the Great Patriotic War" (as the Eastern Front is known in Russia), but he adds that this does not mean "that we divide victory into yours and ours."

"It only means that we will never forget that the Soviet Union paid the highest price for that victory—27 million lives. Such a terrible toll gives us a moral obligation not to let the memory of that great sacrifice fade into obscurity." The Ambassador then warned against some current attempts to re-write the history of the war and to downplay the Russian role, with some even trying to equate the Soviets and the Nazis. He calls for the U.S. and Russia to build a relationship now which would make the two true allies, as in World War II, and to recommit themselves to keeping alive the spirit of the Elbe.

Arbatov: U.S. Policy Dangerously Ignores International Treaties

U.S. policy is "even dangerous" in ignoring international treaties, said Alexei Arbatov, the Russian intellectual and former member of the Duma, who spoke April 12 at the School for Advanced International Studies of Johns Hopkins University. He pointed to the fact that whereas Russian President Putin often names international terrorism as the major threat facing Russia, the 2003 White Book of the Russian Ministry of Defense—the first one ever produced—puts such political/military issues such as NATO expansion, way at the top of the list, and terrorism is only #24. Arbatov warned that the White Book reflects what the thinking really is.

Since the subject of the forum was governance and democratic accountability in nuclear policy, covering six case studies: Russia, the U.S., China, Israel, India, and Pakistan, Arbatov also stressed that this Bush regime has abandoned all attention on arms control and nuclear limitation. There have been no serious talks. In comparison, the "late 1980s and late 1990s," when there was a big emphasis on arms control talks between the U.S. and Russia, there was much more civilian engagement on the Russia side—even when the Soviet Union still existed. The U.S. should resume such talks.

Arbatov singled out the unilateral cancellation of the Anti-Ballistic Missile Treaty by the U.S. as an example of the problem. He then said that he was sure that people in Washington would not agree with him, but that "the posture of the U.S." is not only counter-productive to national security, but the U.S. attitude toward arms control and international treaties is even dangerous.

Russia Hits BP/TNK with \$790 Million Tax Bill

Britain Petroleum's joint-venture operation in Russia, BP-TNK, was hit with a bill for TNK's back taxes of 22 billion rubles, or about \$790 million, for the year 2001 alone. This is again severely ruffling the "confidence of the investment community," complained the *Wall Street Journal* April 12, in that it raises the specter of a repeat of the government operations against Yukos Oil. This is the second fine against TNK-BP within a year. Russia just also just passed a law requiring companies bidding for Russian drilling rights to be at least 51% owned by Russians, whereas TNK is a 50-50 concern. In early April, the Ministry of Natural Resources cancelled tenders for the prospecting and development rights to several promising oil-deposit areas, in a move widely seen as aimed to block BP-TNK from snapping them up.

Southwest Asia News Digest

Iran Discusses Pipeline Plan with Pakistan, India

Iranian President Mohammad Khatami announced that Iran is ready to form an international consortium for the security of the pipeline to India through Pakistan, reported the IRNA news service on April 16. In a telephone discussion with President Pervez Musharraf of Pakistan, Khatami said that the project could be fruitful in regional security and improvement. He said India was eager to see the project get off the ground, when Musharraf visits India. Musharraf welcomed Khatami's proposal for forming the consortium, and further expressed hope that the disagreements between Pakistan and India would be resolved in his trip to India, in addition to reaching an agreement on the issue of Kashmir.

Iranian Foreign Minister Kharrazi had discussed the matter by phone with Indian Prime Minister Singh, as well.

U.S. Funding Regime-Change Operations in Iran

For the first time in 25 years, the U.S. is openly sending funds into Iran, to support so-called "democracy" groups. As *EIR* has reported in the cases of Ukraine, Lebanon, and Kyrgyzstan, the U.S. and NGO "democracy" funds are covers for destabilizations, run from outside. In the case of Iran, the State Department is initially allocating \$3 million—a relatively small amount, but the directionality is clear.

The State Department is soliciting proposals for what it calls "educational institutions, humanitarian groups, non-governmental organizations and individuals inside Iran to support the advancement of democracy and human rights," according to a note on the website of the State Department's Bureau of Democracy, Human Rights, and Labor.

But there are overlaps between this operation, and U.S. support for the Iraq-based Iranian terrorist group, the Mujahadin e Khalq, (MEK/MKO) which has planned, and carried out assassinations of Iranian officials (see next story). The U.S. already dishes out \$15 million a year for Farsi radio and TV broadcasts into Iran, but this is the first instance that funds will be going directly into Iranian hands.

Iran plans to take legal action against this funding because it directly violates the U.S. agreement signed with Iran in 1981,

known as the "Algeria accords," which ended the hostage crisis that began in 1979. On April 12, IRNA news service reported that an Iranian government spokesman said that the "foreign ministry will take necessary legal action" against Washington, without specifying any details.

Iranian Ambassador to the UN, Mohammad Javad Zarif, on April 10, described the U.S. plan as "a clear violation of the Algiers accords," noting that the U.S. had agreed "not to intervene directly or indirectly, politically or militarily, in Iran's internal affairs."

Mujahadin E Khalq Holds 'National Convention' in Washington

On April 14, two inter-related events took place, which escalated the U.S. neo-conservative/Israeli right-wing drive for regime change in Iran: a "convention" by the terrorist group, the Mujahadin E Khalq (MEK/MKO), and the passage of a new sanctions bill against Iran.

The Middle East Subcommittee, chaired by "Clash of Civilizations" warmonger, Rep. Ileana Ros-Lehtinen (R-Fla), passed the Iran Freedom Support Act; which codifies sanctions against Iran under a previous bill, and targets investments in Iran, by requiring investigations of these projects. It also threatens to withhold foreign assistance from countries that invest in Iran's energy sector "by defining this as direct support for Iran's regime." Ros-Lehtinen, who also sponsored the Syria Accountability Act, is a long-time supporter of the MEK.

At Constitution Hall in Washington, 300 members and supporters of the MEK, and its "legal" front group met to pressure the Bush Administration to take it off the "terrorist list." For more than a decade, the MEK was in the pay and support of Saddam Hussein's regime in Iraq, until the U.S. occupation took over. It was the only full-fledged international terrorist group with training camps and command centers in Iraq. Since April 2003, the neo-cons, centered in Doug Feith's office, have been using it as an "Iranian Contra" force.

The website iranfocus.com, an outfit linked to the Pentagon neo-cons reported that the following dignitaries spoke or sent messages: Sen. Kay Bailey Hutchinson (R-Texas) and Sen. James Talent (R-Mo), and Rep. Tom Tancredo (R-Colo), Bob Filner (D-Calif), Dennis Moore (D-Kan), and Ted Poe (R-Texas). The meeting also heard from two former officers of the U.S. occupation of Iraq: Lt. Col. Thomas Cantwell, who had guarded the MEK at their camp in Iraq, which has 4,000 soldiers; and Captain Vivian Gembara.

The presence of terrorism expert Neil Livingstone at this event, links this operation back to the illegal Iran-Contra operations of the 1980s, run by Col. Oliver North, and then-Vice President George H.W. Bush.

Ironically, the support for MEK from the U.S. is angering Kurdish leaders, and creating tensions with the new Iraqi government. The MEK were engaged in campaigns against the Kurds, on behalf of Saddam Hussein's regime, claims the Patriotic Union of Kurdistan (PUK) in Washington. Jalal Talabani, the head of the PUK in Iraq has just become President of Iraq. And in Iraq, Salvation Association, which includes former members of the MEK have petitioned President Talabani to put the MEK leaders in Iraq on trial for war crimes committed during the Saddam Hussein regime.

A Dangerous Development: Arab Separatists Clash with Iranian Military

On April 16, *al-Jazeera*. television reported that clashes broke out between Iranian military forces and ethnic Arab Iranians who are calling for an independent state in southern Iran. The majority of Iranians are non-Arab. Sources in the region said at least three ethnic Arabs had been killed and many injured in demonstrations in the southern province of Khuzestan.

Not surprisingly, the British have their hand in this new conflict. The demonstrations were organized by the London-based Popular Democratic Front of Ahwazi Arabs in Iran. Over 250 arrests were made. A representative of the group, speaking to *al-Jazeera* from London, said there were movements within and outside Iran pressing for independence of the region, home to at least 3 million Iranians of Arab descent. "The demonstrations to mark 80 years of Iranian occupation were peaceful, but the Iranian authorities confronted the people with violent means and military force," he said. He said Iranian military units had besieged several ethnically Arab villages after the demonstration.

The London-based group said there will be forcible relocation of about 3 million Arab Iranians from the Ahwaz region to other areas inside the Islamic republic. There have been reports of protests spreading to other Iranian cities in the south. The group calls this ethnic cleansing. The group has been circulating a copy of a letter, allegedly signed by former Iranian Vice President Muhammad Ali Abtahi, which outlines a plan to change the composition of the population in Ahwaz by relocating non-Arabs to the city to make them the majority. The letter was widely circulated in Ahwaz and other cities in Khuzestan.

Khuzestan is an oil-rich province that borders Iraq, on the Persian Gulf. One question raised is: Are there any elements inside Iraq who are associated with this group?

Ex-Mossad Chief: Danger of Military Coup in Israel

Danny Yatom, a Member of the Knesset from the Labor Party, and former chief of the Mossad, warned that there may be a danger of a military coup by right-wing messianic officers in the Israeli Defense Forces. Yatom, who is also a reserve major general, made the comments at a seminar on a book entitled *Code Blue* by Tzvis Emitai, reported *Ha'aretz* on April 10. *Code Blue* describes a scenario in which the radical right gains control of the IDF and overthrows the government. It comes out at a time when right-wing messianic rabbis have called on religious soldiers to refuse orders to remove settlers, and for soldiers on leave not to return to duty.

When Yatom was asked at the seminar why he believed such a coup was possible, he said, "Yarmulke-wearers are excellent soldiers, but the rabbis have a great influence over them, and they are ready to obey the rabbi before they obey their military commanders. A few years ago, I thought a scenario like this was completely delusional, but since then, we've seen ... the delegitimization of the government and Knesset, and rabbis inciting revolt and conscientious objection, and that, for many soldiers, the instructions of the rabbis are stronger than their orders." He said there was now a need for a public debate "in order to guarantee our democracy and not allow right-wing nationalist groups to carry out a coup. The judicial system needs to use an iron fist against inciters calling for conscientious objection in order to halt this phenomenon."

Similar comments were made by Brig. Gen. (ret.) Danny Rothschild, President of the Council for Peace and Security, who said, "The whole debate centered on the book and its scenarios. My first response was that something like this could not happen in Israel, but I started to re-think the matter. To say that it will never happen is not responsible. After I hear rabbis calling upon soldiers to desert the army, I fear what will happen when rabbis tell soldiers to take over the government."

The chairman of the Likud Young Guard, Yoel Hasson, reacted strongly against these remarks, and called for a formal complaint to be filed against Yatom in the Knesset's ethics committee. National Religious MK Zevulun Orlev called the comments "incitement." Nonetheless, it is well known that the level of right-wing religious officers in the combat regiments has increased considerably. The percentage of these officers in the IDF is higher than in Israeli society at large.

Asia News Digest

China Acquires Stake in Canadian Oil Company

The China National Offshore Oil Co. (CNOOC), China's third-largest oil company, announced on April 12 that it has acquired 16.7% of the Calgary-based MEG Energy of Canada. MEG Energy owns a 100% working interest in oil sand leases of 52 contiguous sections, or 32,900 acres of land in Alberta. It is estimated that the oil sand, composed of sand, bitumen, mineral-rich clays and water, has over 4 billion barrels of bitumen, half of which are recoverable.

Xinhuanet announced South Africa's Kumba Resources, the world's fourth-largest iron ore producer, is in talks with China's Wuhan Iron and Steel Company for investment in a South African iron-ore project. Kumba, controlled by mining giant Anglo American Plc, exported about 40% of the 20.9 million tons of iron it produced last year to China, with the rest going mainly to Europe.

In related development, Nigeria indicated that it wants China to be involved in oil and natural gas exploration. China's involvement could dent the dominance of major international companies in Nigeria's upstream oil sector. Mr. Kaukoru, Nigeria's presidential adviser on petroleum and energy arrived in Beijing on April 13.

Japan Snubs China on Gas

Japan began allocating rights for gas exploration in a disputed area of the East China Sea on April 13, a move likely to anger China at a time when China-Japan relations have hit rock-bottom. A Chinese diplomat told the April 13 *India Daily* that the energy dispute is one of the major problems plaguing Sino-Japanese relations. He also pointed out that Beijing had warned Tokyo a day earlier not to award the test-drilling rights, and said doing so would "fundamentally change the issue."

Simmering tensions over a number of issues between the two major Asian nations gave rise to a major anti-Japan demonstration in Beijing last week. Some observers in Japan are concerned about the potential for an anti-China backlash within Japan. In Tokyo, on April 13, members of a right-wing group shouted slogans at the Chinese Embassy, where security has been tightened.

Growth of Non-Performing Assets Threatens China

According to Chinese economist Wu Jinglian, the fast-developing non-performing assets within China will have a disastrous effect on China's economy if measures are not taken forthwith. Although China's four state-owned banks have been trying to clear bad debts and streamline their operations, the non-performing loan ratio stood at an average of 15.6% by the end of the last year, the China Banking Regulatory Commission (CBRC) pointed out. Xie Yehua, another economist, pointed out that if the interest rate fluctuates, the rising banking loans to the real estate and automobile sector could gravely worsen the financial situation.

One reason behind the rapid increase in bad debts, which total almost \$182 billion now, is the decision made by the Chinese banks, facing tough competition from foreign banks, to provide easy loans to the profitable housing sector, pointed out Prof. Huang Yanfen. She also said that most Chinese development companies are heavily dependent on cheap bank loans, so if the real estate bubble explodes, these loans, which could amount to another \$100 billion, could become bad debts.

Chinese Premier Invites India To Join the SCO

According to a source report April 15, Chinese Prime Minister Wen Jiabao, during his four-day (April 9-12) visit to India, told his Indian counterpart Manmohan Singh that China would like India to join the Shanghai Cooperation Organization (SCO) in 2006 as full member. India had long been lobbying to join the organization.

SCO consists of Russia, China, Uzbekistan, Kazakstan, Kyrgyzstan and Tajikistan. Reports indicate that China would also like to invite Iran, Pakistan, *and* Afghanistan to join the SCO and form a regional security bloc.

In return, China would like to get membership in the South Asian Association of Regional Countries (SAARC), which India has blocked so far. SAARC consists of India, Pakistan, Bangladesh, Nepal, Bhutan, Sri Lanka, and the Maldives.

Asia Expert: Chance To Negotiate with North Korea 'Gone'

Selig Harrison, director of the Asia Program at the Center for International Policy and long-time negotiator with North Korea, is now saying "the chance to negotiate is gone," according to the *Los Angeles Times*) April 10. *Harrison met with Kim Yong Nam, head of the legislature in North Korea; Vice Foreign Minister Kang Sok Ju; and Kim Gye Gwan, the envoy to the six-party talks. "They told me they are not prepared to discuss dismantling their nuclear weapons until their relations with the U.S., economic and diplomatic, have been normalized," he said. At best, his contacts told him, North Korea would freeze, not dismantle, its weapons program. He said that there has been a significant shift in the North over the past weeks, with "hard-line elements" asserting control over the nuclear program in response to the belief that the U.S. is pursuing regime change. He quoted Col. Gen. Ri Chan Bok, the commander on the frontier, that any U.S. embargo would be an act of war, "and we would have the right to attack the U.S."*

U.S. Diplomat Provocatively Warns of 'New Mecca for Terrorism' in Mindanao

Training in Mindanao by the Philippines Moro Islamic Liberation Front constitutes the making of the "next Afghanistan," charged the second most senior U.S. diplomat in Manila, an allegation that President Gloria Macapagal Arroyo has dismissed. Joseph Mussomeli, number-two in the U.S. Embassy, urged Manila to do more to stem the flow of Islamic militant recruits into the southern island of Mindanao, which he alleged was becoming "the new 'Mecca' for terrorism."

Mussomeli told Australia's SBS TV: "Personally, I'm worried that we're not worried enough. I think the real danger here, and the danger that has been here since the mid-'90s, is that we're not focused enough on the threat here." The U.S. mission in Manila posted the transcript of Mussomeli's remarks on its website in Manila, which is an unwarranted provocation.

Small groups of U.S. military advisers are training Filipino military units on Mindanao. One such training session starts April 11 on the southern island of Basilan. Mussomeli said, "We do have advisers down there. We do have various military experts down there who are helping, when asked, for guidance on how to conduct operations, but not actually conducting them or joining in them."

He conceded that there have been some operational disagreements between the two forces. "I would say that there are, within the Philippine government, those who are more reticent to take action and those who feel that action against various targets should be done in a more definitive and quick way. This is, I guess, a problem in all militaries," he said.

G-7 Not Likely To Bully China Into Revaluing Yuan

China is more likely to unpeg its currency from the U.S. dollar because it sees the move to be in its own interest, than because of browbeating from abroad, the chief economist of the Asian Development Bank said April 13.

Ifzal Ali said in Toronto, "I don't think China can be bullied into doing this," even as news reports surfaced that, at a meeting in Washington to be held this weekend, G-7 finance ministers plan to renew their calls for China to allow more flexibility in the yuan's exchange rate. In the face of the escalating pressure, China downgraded its delegation to the IMF meeting, and is only sending unofficial observers.

Mr. Ali said that although China has a massive trade surplus with the U.S., it also has a massive trade deficit with much of the rest of Asia, making any appreciation in the yuan an issue for its neighbors.

Ali said, however, that he thinks that any portfolio rebalancing by the Asian central banks will be gradual and orderly. "It is not in the interests of Korea, China, and Japan to have a sharp, sudden, disorderly depreciation in the U.S. dollar, because they would take a hit."

Indonesian President Seeks Reconciliation with East Timor

President Susilo Bambang Yudhoyono has taken the unprecedented step of laying a wreath at an East Timor cemetery where Indonesian troops had killed dozens of pro-independence protesters in 1991.

Yudhoyono's visit to the Santa Cruz cemetery is seen as a further step by the President to reconcile with East Timor.

A planned protest during Yudhoyono's visit to the cemetery along with East Timor Foreign Minister Jose Ramos-Horta on April 9, did not materialize. Instead, Yudhoyono was warmly greeted by an estimated 100 East Timorese, some of whom shook hands with the President. Yudhoyono also met with Timorese parliamentarians, in a meeting where he described East Timor as a "true friend" of Indonesia, pointing out that, despite Timor's own financial difficulties, Timor had donated \$75,000 for tsunami relief.

Africa News Digest

No Good Intelligence on Spread of Marburg Fever in Angola

There is no good intelligence on the spread of Marburg fever in Angola at this point, and the World Health Organization (WHO) admits it. But it is clear that the disease is still spreading. Angolan families are hiding their sick, or even fleeing from Uige province with them, in response to the publicity about the disease and the cultural divide between themselves and the health workers. Health workers' attempts to take away and immediately bury infectious corpses are being met with hostility. This is seen as treating the dead "like animals," since local culture calls for spending a good deal of time with the dead, and embracing and kissing the deceased in a last farewell.

In the case of Marburg virus, a corpse is more infectious than even a living person in the advanced stages. Whole families have been dying as a result of this clash between culture and a new necessity. The deaths of whole families only increases the trauma of the population, but does not seem to alter its state of denial. Some of the population is frightened to see health workers circulating in inflated "space suits." "We have massive problems in mobilizing the community against [the disease]," Pierre Formenty, WHO's leading specialist for new and dangerous diseases, told Agence France Presse April 13.

While the number of known cases continues to climb, the ratio of known to unknown can be assumed to have gotten smaller, as a result of the reactions of the population. Although WHO does not make this point, David Daigle of WHO admitted to the *Financial Times* April 14, "We're not sure where we are in this current outbreak." And WHO's Update 11 on the outbreak (April 13) acknowledges, "its dimensions are still unfolding."

The total number of known cases stood at 235, and total known deaths at 215, according to Angola Press (ANGOP) April 13.

The surveillance teams, which suspended operations April 7 when one of their vehicles was stoned by residents, resumed work April 9, despite continuing concerns for their security. Yet, what is being called "surveillance" is now "largely concentrated on the investigation of deaths and collection of bodies," according to WHO Update 11. It means that the infected are not being isolated.

WHO launched a campaign April 8 for \$3.5 million to support the emergency response to the outbreak. So far, \$1.7 million has been pledged.

Marburg in Angola: It's the Physical Economy, Stupid!

The town of Uige, epicenter of the Marburg fever outbreak, has "almost no running water, and no electricity, except for a few homes running on generators," according to South Africa's News24 April 13. Its story is based on AFP interviews with Pierre Formenty, WHO's leading specialist on new and dangerous diseases, and Tom Ksiazek, head of the CDC special pathogens branch. Formenty told AFP, "Uige is not a classic urban environment. It's a village with 200,000 inhabitants."

When Doctors Without Borders first arrived in Uige in late March, it "found the hospital, where most of the cases were treated, without water or electricity," according to the *Financial Times* April 14.

In Luanda, the capital, electricity is intermittent.

Uige, like much of Angola, was badly damaged in the 27 years of civil war. Its airstrip is still pock-marked with artillery hits. There are still so many land mines that health workers are flown between Luanda and Uige.

CDC'S Gerberding in Denial: 'We're Optimistic'

Dr. Julie Gerberding, Director of the U.S. Centers for Disease Control and Prevention (CDC) in Atlanta, is whistling on her way through the graveyard, when it comes to Angola's Marburg fever outbreak. According to an April 13 Reuters account of her comments to CNN, "she said she did not believe the virus threatened to spread to the rest of the world. 'We're optimistic about this one,' she said." No doubt the virus has given her the same firm assurances that Hitler gave Chamberlain in 1938.

The CDC has eight staff members in Angola.

Ft. Detrick Studies Drug for Use Against Marburg

Scientists at the U.S. Army Medical Research Institute of Infectious Diseases (Ft. Detrick, Maryland) are "investigating whether a drug that has shown promise against the related Ebola virus might work against Marburg," according to AP April 13. Both viruses belong to the family *Filoviridae*. The drug cured one-third of monkeys infected with Ebola in a 2003 study. Samples of the Marburg virus have been sent to Ft. Detrick from Angola for this purpose.

Dr. Michael Ryan of WHO cautioned that, even if the drug shows promise in monkeys, it may take months before it can be tried on people. "This is an unlicensed drug and the ethics will have to be looked at extremely carefully. ... There may be a case for compassionate use, but we can't just give it to people just like that," Ryan said.

AP cites unnamed disease experts as saying that it will take weeks to determine whether the disease can be stamped out before it becomes a long-term crisis.

Medical Anthropologists in Angola to Address Resistance

Two medical anthropologists have arrived in Uige, to deal with the problem of effective popular mobilization against Marburg fever. In addition to the funerary problems mentioned in the first report above, many residents believe that the health workers are the source of the disease. Or, they even think that the health workers take their sick kin to hospital and then kill them. Apparently both versions are in circulation. There have been other cases in which populations blamed health workers for the epidemic disease that they were fighting, including a recent case in Mozambique.

However, a commission drawing representatives from WHO, the CDC, and Doctors Without Borders has concluded that practices at the hospital in Uige were indeed transmitting the virus from infected patients to other patients, according to Update 2 of the International Red Cross (April 15). The hospital's Marburg isolation ward was empty as of April 14, since families refuse to allow their sick to be taken there.

The anthropologists will be joined by experts in social mobilization from Angola, D.R. Congo, and Mozambique.

Brazil for Transfer of Its HIV Drug Technology to Africa

Brazilian President Lula da Silva is discussing the transfer of Brazilian anti-HIV drug technology to Africa, in his fourth Presidential trip to Africa, which began on April 10. Lula will be visiting five African countries (Cameroon, Nigeria, Ghana, Guinea Bissau, and Senegal) on the trip. Brazil's own anti-HIV program is world-renowned, for having developed a national capability to produce generic anti-retroviral drugs at a price which permits the government to provide these medicines free to all HIV sufferers in the country. Agreements for the transfer of this technology are under discussion with at least Cameroon and Nigeria.

Nigeria and Brazil To Work for South American-African Summit

Nigeria and Brazil have agreed to work on organizing a first-ever South American-African heads of state summit, for sometime in 2006, similar to the ground-breaking South America-Arab summit set for May 2005. This was one of the agreements reported, following Lula da Silva's discussions with Nigerian President Olusegun Obasanjo on April 11. The Brazilian President said he would propose the summit to his fellow South American heads of state when they next meet in Brasilia, in August, according to *Tribuna da Imprensa* April 12.

Lula spoke in Nigeria of the necessity of increasing all aspects of relations with the African nations: trade, cultural, political. Brazil is offering "partnership" with Africa, he said.

In his visit to Cameroon, Lula re-opened Brazil's embassy, which had been closed in 1999 by the previous government, when Brazil was hit by its financial crisis. Lula promised that Brazilian construction firms would now return, also, to work on energy and construction projects. "I want to assure you, that this time, Brazil came to stay," the President said. A large delegation is accompanying Lula on his visit to Africa.

ICG Disputes Cheney/Bush Gang-Busters Approach to Sahel

"Islamic Terrorism in the Sahel: Fact or Fiction?" is the title of an International Crisis Group (ICG) report issued March 31. The liberal imperialist ICG is concerned that the Cheney/Bush gang-busters approach, embodied in its Pan Sahel Initiative (PSI), will create more terrorism than it suppresses. (ICG does not suggest that that might have been the intention.)

The PSI embraces Mali, Niger, Chad, and Mauritania, and expansion to additional countries is being considered. The region "is increasingly referred to by the U.S. military as 'the new front in the war on terrorism.'... However, the Sahel is not a hotbed of terrorist activity," according to the ICG. It does not consider the Salafist Group for Preaching and Combat (GSPC) to be a serious threat. (The U.S. military typically singles out the GSPC, now down to three dozen or so members, as the big threat.) The discrepancy between claim and reality was emphasized in EIW's Africa Digest in December 2004 (#50).

It notes that "Mali, a star pupil of 1990s neo-liberal democratization, runs the greatest *risk* of any West African country other than Nigeria of violent Islamist activity" (emphasis added).

ICG's recommendation is that the PSI "be folded into a more balanced approach to the region, one also in which Europeans and Americans work more closely together." Aid for livestock raising and tourism is needed, it says.

This Week in History

April 18-24, 1775

The American Revolution Begins

"In the fall of '74 and winter of '75, I was one of upwards of thirty, chiefly mechanics, who formed ourselves into a committee for the purpose of watching the movements of the British soldiers, and gaining every intelligence of the movements of the Tories. We held our meetings at the Green Dragon. We were so careful that our meetings should be kept secret, that every time we met, every person swore upon the Bible that he would not discover any of our transactions but to Messrs. Hancock, Adams, Doctors Warren, Church, and one or two more. In the winter, towards spring, we frequently took turns, two and two, to watch the soldiers, by patrolling the streets all night."

So wrote Paul Revere, describing the activities of the American patriots in British-occupied Boston during the months which led up to the battles of Lexington and Concord.

Ever since George III and the British Parliament had shut up the port of Boston and militarily occupied the city to try to force the payment of the tea tax to the bankrupt East India Company, the Americans had been expecting, and preparing for, a military confrontation. British Gen. Sir Thomas Gage, the military governor of Boston who had served in America during the French and Indian War, did not underestimate the patriots' military abilities and therefore moved carefully. But pressure from London kept building for him to challenge the Americans.

Paul Revere was instrumental in warning the patriots of Portsmouth, N.H., in December of 1774, that Gage would send a detachment to strengthen Fort William and Mary so that the local militia could not seize it. The militia acted quickly to seize the fort and empty it of all gunpowder and small arms. When George III heard of this action, he demanded that Gage punish every man involved, and seize all rebel military supplies.

Another British attempt in February to seize American military supplies in Salem ended in defeat when the patriots refused to let down the drawbridge over the North River, thus stranding the British soldiers. Revere had not been able to ride to warn the inhabitants of Salem, because he had been locked up in Castle William by the British, who rightly suspected he had been responsible for warning the Portsmouth patriots in December.

When King George's order to seize all rebel military supplies reached General Gage in the spring, he could no longer

postpone a major confrontation. To prepare, he sent spies westward to Concord and Worcester, to determine how easily those American military armament depots could be taken. Concord also was the meeting site of the Massachusetts Provincial Congress, which had defied the military occupation, and continued to plan resistance and communicate with the other colonies. To make Concord even more attractive as a target, Samuel Adams and John Hancock were rumored to be staying in Lexington, on the Concord road, before they journeyed to Philadelphia as Massachusetts delegates to the Continental Congress.

One of Gage's spies, an enlisted man named John Howe who posed as a patriot gunsmith, was able to reach Worcester and report back to Boston. Howe wrote in his memoirs that the British generals asked him how many men would it take to destroy the stores in Worcester and return safely. "I said, if they should march 10,000 regulars and a train of artillery to Worcester, which is 48 miles from this place, the roads very crooked and hilly, the inhabitants generally determined to be free or die, that not one of them would get back alive." But a military expedition to closer Concord would be a very different matter, and Howe knew where the military stores were hidden.

The British government had been egging on General Gage to arrest Adams and Hancock, and could not understand why Gage had delayed so long. He had explained to them, again and again, that if he attempted to arrest two of the rebel leaders, the letter they were holding would be the last they would ever receive from him, for he would be knocked on the head. But when King George dispatched three other British generals to Boston to "help" him, Gage knew he could delay no longer. The Concord expedition was ordered, to arrest Adams and Hancock, on the way to seizing the American military supplies.

The patriot intelligence network discovered Gage's plans, and Paul Revere was dispatched by Dr. Joseph Warren, the head of patriot intelligence activities in Boston, to warn Adams and Hancock of an attempt to arrest them, and to alert Concord that it was most likely a British target. Secretly slipping out of the city on April 16, Revere was able to carry out his mission and return to Boston, unobserved by the British. The citizens of Concord moved as much of their munitions as they could to Worcester. But the patriots still did not know when the British thrust would come.

Meanwhile, Gage and the three "helpful" generals were formulating their own plans. A group of officers were selected, and sent out to create a screen on the roads to Lexington and Concord, so that no rebel express could ride through and warn the towns. The man-of-war "Somerset" was moved to the mouth of the Charles River, to command the water between Boston and Charlestown, so that rebel couriers could not cross it by boat. The patriots were looking for any sign that the British were about to move, and they soon saw many.

Paul Revere wrote that, "The Saturday night preceding the 19th of April, about twelve o'clock at night, the boats belonging to the transports were all launched and carried under the sterns of the men-of-war. (They had been previously hauled up and repaired.) We likewise found that the grenadiers and light infantry were all taken off duty. From these movements we expected something serious was to be transacted. On Tuesday evening, the 18th, it was observed that a number of soldiers were marching towards the bottom of the Common. About ten o'clock, Dr. Warren sent in great haste for me and begged that I would immediately set off for Lexington, where Messrs. Hancock and Adams were, and acquaint them of the movement, and that it was thought they were the objects. When I got to Dr. Warren's house, I found he had sent an express by land to Lexington—a Mr. William Dawes."

Revere then said that on his way back from his previous trip to Concord, he had returned through Charlestown, and had "agreed with a Colonel Conant and some other gentlemen that if the British went out by water, we would show two lanthorns in the North Church steeple; and if by land, one as a signal; for we were apprehensive it would be difficult [for a messenger] to cross the Charles River or get over Boston Neck."

But Revere did succeed in passing under the watchful eye of the British Navy and reached Charlestown, where he mounted a good horse and made his way, outrunning one British patrol, to Lexington. When he delivered his message to Adams and

Hancock, John Hancock decided to fight with the militia on Lexington Green, and it was with great difficulty that Samuel Adams convinced him that it was more important to fulfill his commission as a delegate to the Continental Congress.

Revere, with two companions, rode on toward Concord, but they were intercepted by another British patrol. One of the patriots was able to escape and warn the town, but Revere and the other rider were arrested. When the patrol received the news that the main body of British soldiers was nearing them, they took Revere's horse and left him in a field. He made his way back to Lexington and helped to remove John Hancock's trunk, which was full of papers which would have given the British a good overview of the patriot networks. Just as Revere and his companion got the trunk to safety, the fighting broke out on Lexington Green.

Eight Americans were killed and ten were wounded. The British soldiers fired a victory volley into the air and gave three cheers. Then, while the stunned citizens of Lexington watched from doors and windows, the Redcoats formed into columns and marched to Concord to the tune of fife and drum. Although news reached Concord that some fighting had occurred at Lexington, it was unclear exactly what had happened. Therefore, when the British column appeared, the patriot militia withdrew beyond the North Bridge. Farmers around Concord were just finishing plowing over the cannon buried in their fields, and the women in town were putting the silver from their churches into barrels of soft soap.

The Redcoats scoured the town for munitions, and started to burn some gun carriages they had found. The fire spread to buildings, and the smoke alerted the patriots watching from the bridge. More and more companies of Minutemen were arriving from neighboring towns, and one of their leaders shouted, "Will you let them fire the town?" Captain Isaac Davis of the Acton militia drew his sword and said to his company, "I haven't a man that is afraid to go," and gave the command, "March!"

As the patriots approached the bridge, the British fired three warning volleys but the Americans didn't stop. The British then aimed their shots, and an Acton fifer cried out that he had been hit. It was then that the Americans aimed their weapons, and "fired the shot heard 'round the world."

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