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

### **GROWING WHITE HOUSE INSANITY**

#### **LaRouche Democrats Drive Institutional Resistance**

**by Jeffrey Steinberg**

On March 14, the Los Angeles County Democratic Party Central Committee voted to authorize the charter of the Franklin Roosevelt Legacy Club. The initiators of the Club—Quincy O'Neal and Cody Jones—are elected members of the Central Committee, and have been involved in leading the day-to-day organizing in California against the fascist policies of George Shultz's leading operatives, Vice President Dick Cheney and California Governor Arnold Schwarzenegger.

O'Neal and Jones are also leaders of the LaRouche Youth Movement (LYM), the nationwide youth organization of American statesman and former candidate for the Democratic Party Presidential nomination, Lyndon LaRouche.

"Over the course of the past several years, of waging successive, successful proof-of-principle fights, we saw that if the Democratic Party were to succeed in defeating the disastrous course of the Cheney-Bush Administration, we must bring the best of its traditions, that of Franklin Roosevelt, to life within the Party. Thus, we created the Club as a vehicle for that expression," said Cody Jones, vice president of the club.

"The chartering of this club," said Harley Schlanger, the Western U.S. spokesman for Lyndon LaRouche, "will invigorate the debate over the essential changes in policy now, which can assure a Democratic landslide in the 2006 mid-term elections." According to O'Neal and Jones, the club plans to hold a series of policy forums, to shape the Democratic Party's agenda for the mid-term elections. These forums will focus on discussion of the vital infrastructure projects, science-drivers, and other FDR-vectored policies that must be initiated immediately, to avert an irreversible plunge of the U.S. physical economy into collapse, leaving the vast majority of Americans in a state of abject poverty.

Other LYM branches are expected to launch similar initiatives, and the LaRouche Political Action Committee (LPAC) has launched a nationwide drive to saturate the Democratic Party at the grass-roots level with copies of LaRouche's draft Democratic Party Platform, contacting hundreds of county chairs and other local Party and trade union activists, and circulating tens of thousands of copies of the LaRouche document within the Party ranks....

**[...full article, PDF](#)**

## **Latest From LaRouche**

### **LaRouche on Iran Radio: War Against Iran Is British Policy**

*This is a transcript of a taped interview with Lyndon LaRouche, conducted March 15, 2006, by Morteza Jabbari of the Islamic Republic of Iran Broadcasting (IRIB) English Radio in Tehran. IRIB is the state-owned radio and TV broadcasting network.*

In one of your previous interviews, you mentioned that London is behind the idea of a possible strike on Iran. What is the basis of your argument?

*LaRouche:* Well, first of all, the policy is a British policy, which certain people in the United States are connected to. For example, take the case of Dick Cheney, the Vice President. The Vice President is very close to Liz Symons, to whom he was introduced by his own wife, Lynne Cheney. And during the period, for example, between the time he was head of the Defense Department, under George Bush the First, and the time that he became the Vice President—and the acting president, practically—he negotiated certain contracts.

So, the Liberal Imperialist crowd in London, which is the Blair-Jack Straw crowd, is actually the architect of this. But the architecture runs largely through international financial channels, such as George Shultz, who is a former Secretary of State, and who is the architect of the present Bush Administration: That is, the person who pulled it together to be elected.

So, this is the key point from which this comes. It's an Anglo-American operation, but the policy itself, which is the British policy of the Arab Bureau, the so-called "anti-Islam policy," is what the motivation is.

Do you think that this Western hue and cry over Iran's peaceful use of nuclear energy is in line with the idea you just mentioned?

*LaRouche:* Yes. This is a pretext. The nuclear issue is not really the issue. And from Iran, you know that because you know what the negotiations are, particularly involving the Russians, involving also the Chinese interest in this, and the general Asian view of this matter.

The nuclear issue is not the cause of the problem. The issue is, they want to *have* the problem. And therefore, they're using the nuclear negotiation as a pretext for an enlarged war in the entire region of Southwest Asia....

According to the British *Daily Telegraph*, George W. Bush is to decide on the possibility of a military confrontation with Iran at the end of this year. What is your opinion about this?

*LaRouche:* Well, it's hard to say. It is not one of these things where you can predict exactly, it's going to go one way or the other. This is what we're trying to *stop*. Our view is to give Iran as much time to negotiate as they think necessary, because some of us understand what the issues are, and we don't want to create unnecessary complications for Iran internally, otherwise, at this time. So, let the negotiations proceed: I'm sure we'll come up with something, if we are patient. And that'll put the issue off the table.

You talked about London's involvement in this issue, but Jack Straw has time and again talked about peaceful means and diplomacy, in dealing with Iran's nuclear issue, and has praised Iran's previous government, and criticized its incumbent President for their approach. You think he is not sincere?

*LaRouche:* I'm sure of it! After all, remember, you have in the history of Iran, you have things like the Sykes-Picot Treaty, which was authored by the British as a part of a process of getting World War I going.

No, these fellows are not exactly honest. We know them very well. In a case like this, one must deal with the facts, without discussing sincerity.

Al Gore, in one of his recent speeches, said that America's political system moved toward decreasing the power of the Congress and the judicial system, and increasing the power of the Executive branch, that is, the President. Your comments in this regard, please?

*LaRouche:* Oh, this is absolutely true. This is precise. This is a group, which is the same group which brought Hitler to power, among others, between 1922 and 1945; the same group which is represented by the Federalist Society inside the United States, which controls several Justices of the Supreme Court, has this policy. The point is they believe they can only go to a form of dictatorship, like that of the Hitler model or some similar model, as the only way they can govern in this period, and get their policies through. That is the policy of a group associated with Cheney, and with others in the United States and in London.

How do you see the role of Cheney in this game? I mean, this—let's say—creating wars? Is he the main guy behind the idea of, let's say, neo-conservatism, or are there some other people?

*LaRouche:* No, Cheney is essentially a thug. He's an administrator—not very intelligent, but very thuggish. He's a brute, that is a person who tries to beat people into submission as an administrator. He does not have the ideas himself. He was brought into his present position, remember, earlier, during the 1970s as part of the Nixon Administration's leftovers. He's been in and out of politics ever since then. He is essentially dominated by his wife, Lynne Cheney, who is the controller, who actually "wears the pants in the family," so to speak.

But this Administration was created by George Shultz. Now, you look at George Shultz, you're looking at Halliburton, you're looking at Bechtel, you're looking at those kinds of international financier interests, which are very closely tied to the comparable interests in the British system, or the international system centered in London. And that's where it comes from. Cheney is only an errand boy.

But, the reason he has not been dumped—remember, he's down, about 15% popularity in the United States, right now—the only reason he's not dumped so far, even though there's an effort by various of us in the United States to dump him, the reason is, is that he's got powerful backing from international financier interests, which are merely typified by George Shultz.

For example, look at the question of the Netanyahu election in Israel. The word is that there's an attempt to make Netanyahu the virtual dictator of Israel, and therefore to use Israel as a weapon against its neighbors. Most factions in Israel won't do that. Netanyahu would do that. Netanyahu is very close to Dick Cheney. But! The guy *behind* Netanyahu is really George Shultz. So, there's where the danger lies there, and that's typical of the situation.

I mean, who are the think-tanks for, PNAC, Project for a New American Century? Are they in Britain, or in the U.S.?

*LaRouche:* Both! You have a general policy—it's called globalization. The general policy, which has emerged increasingly since Roosevelt died, has been first of all the conflict with the Soviet Union, which was created precisely to prevent Roosevelt's policies from being carried out, which was an anti-colonialism policy.

And this policy had been kicking around for a long time. And with the collapse of the Soviet Union, the idea was we could go to the elimination of the nation-state, or the virtual elimination of the nation-state, and have what's called an *ultramontane* system, a globalized system in which an international financial interest runs the entire world. Every nation in Asia is targetted: for example, India is targetted, China is targetted, Russia's targetted, all of the leading nations of Asia are,

in particular, targetted for dissolution of their present form of government. This is the program.

How do you see the difference between Democrats and Republicans, when it comes to Middle Eastern issues?

*LaRouche:* Well, this—it's not quite that way. Let's take the case of Bill Clinton. Now, Bill Clinton is Bill Clinton: He's very intelligent. He represents a group of people in the United States, to which I generally turn out to be associated with in the Democratic Party. But we also work with Republicans, who are, shall we say, the sane Republicans who think pretty much as we do on most issues, particularly on war and peace. So, there is no simple U.S. policy on this question. There is something across party lines. Most Democrats would tend to agree with us on getting out of this Middle East mess. Clinton is a leading spokesman for that. There are people in the Senate, in particular, who are leading spokesmen for that. You have on the Republican—

I'm sorry, Mr. LaRouche. I'm sorry to interrupt you. Some observers believe that American administrations, whether Republicans or Democrats, have the same objective with regards to the Middle East, and just their approach differs. Do you agree?

*LaRouche:* No, there is not. It's more complicated. We're a nation which has many tendencies in it. Sometimes, certain combinations are on top. The top domination tends to be the financial community, the financial interest, which is sometimes the opponent of our government. And that's what it is.

For example, in the last year, I was able to change U.S. policy, as an individual, going into 2005. In 2005, we put up an excellent resistance to the worst of the Cheney-Bush policies and we were successful. Beginning this year, we've been a little less successful, and we're always fighting to get this thing under control. But on the main questions, the general American opinion is opposed to this war policy.

You have been skeptical about the 9@dn11 incident from the very beginning. After you, people like Thierry Meyssan, von Bülow, and Chossudovsky, have been in line with your idea. Do you have any new documents showing something about the facts lying behind the 9@dn11 incident?

*LaRouche:* Well, I think some of your listeners who have ever done some hunting of animals would understand this better than most of our press people seem to understand it. What I said—before the inauguration of George Bush in January of 2001, I said, because of the financial crisis coming down, and the incompetence of a Bush Administration, we must expect soon, that there will be an incident like Hermann Göring setting fire to the Reichstag—in the attempt to establish a Bush dictatorship. Now, that happened. That's what 9@dn11 was. Somebody of the international forces which are controlled out of London and the U.S., these international forces decided to pull an attempt to establish a dictatorship in the United States. It did not succeed: But it came very dangerously close to succeeding. And that's what the fact is.

Why not look in that direction? In looking at history, that's the way you look at things. That's the way a competent strategist looks at things, not many of these gossips, who keep trying to find little secret things that may not exist.

Why is George W. Bush insisting on pursuing the policies, which not only most Americans, but also the world, opposes?

*LaRouche:* Well, this is not just George Bush. George Bush is not the most intelligent man that the United States has ever put into public office! And I wouldn't go too far in trying to attribute intention to George. He runs with various policies. He's very limited intellectually, and he's controlled by circles of people around him, by and large. That's the problem. So, I wouldn't put too much on his intentions.

What you have, the power in the world today, is the international financier power, not political power as such. For example, the German government can't even govern its own country, because of Maastricht, because of the European club. Italy's somewhat the same; France, to a lesser degree, but more or less the same.

So, governments around the world today are very weak, because they are led to be controlled by international financial institutions which actually, effectively, control them. And this is the way, I think, you should look at it.

It is interesting that sometimes we see that George W. Bush says something, especially in his interviews with the media, and after a couple of days some other official in, for example, the American State Department, says something quite the contrary to what George W. Bush has said. What is the reason behind this contradiction?

*LaRouche:* Because it's a complicated situation. George W. Bush is not very intelligent. He does have certain sentimental reactions to things. And there's a big conflict within the Administration, now, on what the policy is. For example, most of the crowd around George Bush does not want to go to war. They would go to bluffing to get their way on an issue, but they do not actually want to go to a new war.

Dick Cheney, on the other hand, the people behind him, *want* to go to a war! And they want to do anything possible to get to a war, right now. They are the ones trying to use Netanyahu as the alternative for an attack on Iran, whereas most forces in the United States are against getting into that kind of thing.

It's that kind of situation. We have a complicated situation inside our government. We do not have unanimity. We have fights constantly, on the interpretation of policy, on the interpretation of words—it's a daily fight, and there is no simple consistency in the process.

And, one last question, Mr. LaRouche: Considering human and financial costs of the strike option against Iran, do you think the U.S. has the potential and ability to do that? And if it does so, what would the consequences be for the region and for the world?

*LaRouche:* Well, I think most people would agree with me, who are specialists, that an attack on Iran, which is what's planned, of course, as an option by Cheney and Company, is an aerial attack with the aid of sending in Special Forces for special operations. Now, such an attack, if it were significant, in terms of its effect on Iran, would mean a consolidation of the thing that the British have been pushing for, from the Arab Bureau, which is a return to the spirit of the Crusades, to treat Islam throughout the world *as the enemy*, as a way of running the world. It's like the Crusaders did during the Middle Ages; as like was done between 1492-1648 in Europe: Religious warfare. That's what they want to start.

But, the significance is, if they go to it, my estimate is that the price of oil goes, first of all, goes to about \$150 a barrel. Similar kinds of problems erupt, general chaos. I don't think that the people who want this war, could win it, in any conventional sense. They could, however, create Hell on Earth. And I think anybody who understands this, wants to stop it, for that common understanding of why we have to stop it.

Well, Mr. Lyndon LaRouche, [former] U.S. Presidential candidate, and editor and columnist at *Executive Intelligence Review*, it's always interesting talking with you. Thank you very much for your time.

*LaRouche:* Thank you! Good to be with you.

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# InDepth Coverage

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## Feature:

### [LaRouche: Milosevic Murder To Trigger East-West Conflict](#)

[by Jeffrey Steinberg](#)

Lyndon LaRouche forcefully intervened on March 15 into the crises provoked by the sudden death of former Serbian President and accused war criminal Slobodan Milosevic, who was found dead in his prison cell on March 11, the victim of an alleged heart attack. Milosevic had been on trial at The Hague for the past four years, and had been complaining for months that he was being poisoned. On March 8, less than 72 hours before his death, the former Yugoslav ruler had written a note to the Russian Foreign Ministry, asking them to intercede to win permission from the Balkan War Crimes Tribunal to go to Russia for medical care...

- [Documentation](#)

- [Lavrov, Russian Doctors Dispute Hague Tribunal Russian Foreign Minister](#)

- Sergei Lavrov answered questions from the press on March 13: Q: I would like to learn about the text of Slobodan Milosevic's letter. Did he write about any attempts to poison him? Lavrov: Slobodan Milosevic's letter arrived yesterday. It is dated March 8, but arrived only yesterday. I do not know the cause of the delay. The letter is not addressed to me personally, but to the Ministry of Foreign Affairs....

- [Explosive Legacy of The 1990s Balkan Wars](#)

- [by Elke Fimmen](#)

- The death of Slobodan Milosevic occurred on the same day that Agim Ceku was elected Prime Minister of Kosovo. Ceku having been the commander on the Kosovo-Albanian side during Madeleine Albright's unnecessary Wellsian war against Yugoslavia in 1999, the timing smacks of something more than coincidence.

- [Hot Spots Flare in Russia's 'Near Abroad'](#)

- [by Rachel Douglas](#)

- In Russian parlance the Near Abroad comprises countries that were formerly part of the Soviet Union. The Balkans region is not in the Near Abroad, but it, especially Serbia, is a traditional area of Russian interest—a factor that British and Venetian geopoliticians played on to embroil Russia in Balkan wars in the 19th Century and in 1912-14, on the eve of World War I.

- ['The Open Conspiracy'](#)

- [H.G. Wells Plots The World Empire](#)

- [by Michele Steinberg](#)

- This is reprinted from 'Zbigniew Brzezinski and September 11th,' a Special Report issued in February 2002 by the LaRouche in 2004 Presidential campaign committee.*

- [Documentation](#)

- [Madeleine Albright on Her Debt to H.G. Wells](#)

- In 1998-99, President Clinton was faced with a Synarchist insurgency, including from inside his own Administration, following his and Treasury Secretary Robert Rubin's moves towards a 'new, global financial architecture.' In the same time period, as Clinton was faced with an impeachment assault on the Presidency, the Albright/Holbrooke/Gore crowd in the Administration staged the Kosovo War. At the time, Secretary of State Madeleine Albright openly boasted of her 'Wellsian democracy' roots. In an Oct. 14, 1999 address to the Institute of



## Economics:

### A Relevant Chronology

by Lyndon H. LaRouche, Jr.

March 14, 2006

An informed source told one of my associates, today, that the accumulation of international financial storms associated with the Iceland crisis of the world's so-called 'carry trade,' must be seen as a collapse of the Greenspan bubble,' and thus viewed as a consequence of policies introduced in 1987 by now-retired U.S. Federal Reserve System Chairman Alan Greenspan. That source's observation is, of course, broadly correct, and does not differ essentially from the assessment of Greenspan's role which I had publicized widely during the recent decade.

### Internal Fissures Rend EU's Maastricht System

by Rainer Apel

Beset by conflicts between national governments attempting to prevent economic collapse in the face of a deepening depression, and a supranational bureaucracy committed to even more deregulation and austerity, the European Union (EU) is falling apart. Briefed on the latest developments on March 14, Lyndon LaRouche said that Europe is actually far more vulnerable to a physical economic collapse than the United States, because Europe is under the yoke of the Maastricht Treaty which founded the EU—the straitjacket that blocks any possibility of an economic policy turnaround in Europe. Unless Maastricht is torn up, and replaced by a new, nonmonetarist arrangement among the nations of Europe, there is no solution for the continent.

### Albert Wohlstetter's Legacy

### The Neo-Cons, Not Carter, Killed Nuclear Energy

by Marjorie Mazel Hecht

The conventional wisdom in the nuclear community and in general is that President Jimmy Carter drove the nail in the civilian nuclear coffin when he stopped the reprocessing of nuclear fuel in 1976. But this is wrong. The dishonor does not belong to Carter. The policy that ended nuclear reprocessing was first promoted under the Ford Presidency, in a 1975 policy paper written under Ford's chief of staff Dick Cheney. And long before the Ford Administration, the idea that civilian nuclear power was bad, and that reprocessing should be stopped, was extensively argued by Albert Wohlstetter, one of the most ghoulish, secretive, and influential of U.S. nuclear strategists, from the late 1950s to his death in 1997.

## International:

### LaRouche on Iran Radio:

### War Against Iran Is British Policy

This is a transcript of a taped interview with Lyndon LaRouche, conducted March 15, 2006, by Morteza Jabbari of the Islamic Republic of Iran Broadcasting (IRIB). IRIB is the state-owned radio and TV broadcasting network. The interview was translated into Farsi and broadcast.

### Russia's Lavrov:

### There Is No 'Deal' Against Iran

Russia and Iran continued negotiations on March 13-14 in the effort to find a solution to the dispute over Iran's nuclear program. An Iranian Foreign Ministry spokesman described the talks as successful, underlining that both sides agreed 'on the necessity to abstain from hasty decisions.'

### Cheney and Blair Intervene in Israeli Elections To Promote Regional War

by Dean Andromidas

The transparent orchestration of the Israeli attack on the Palestinian prison in Jericho in the occupied West Bank March 14, leaves no doubt that the Bush Administration and the government of British Prime Minister Tony Blair are working to bring to power in Israel a government that will be a

full partner in an attack on Iran, Syria, and a resulting new regional war.

## **Helga Zepp-LaRouche**

### **Hope for Germany's Future Lies in Defeating the 'Clash of Civilizations'**

Mrs. Zepp-LaRouche, chairwoman of the Civil Rights Movement Solidarity (BüSo) in Germany, gave this speech to EIR's seminar in Berlin on March 2. It has been translated from German, and subheads added. The seminar was titled 'The Iran Crisis: The Danger of a Global Asymmetric War Must Be Stopped.' Other presentations, including the keynote by Lyndon H. LaRouche, Jr., appeared in EIR on March 10 and March 17.

## **Mohammad el-Sayed Selim**

### **Dancing with Wolves: But Iran Will Be Next**

Prof. Mohammad el-Sayed Selim is Professor of Political Science at Cairo University. He submitted this written speech to the March 2 EIR seminar in Berlin. Subheads have been added. See last week's EIR for further seminar discussion of the issues raised here, notably that of the Nuclear NonProliferation Treaty (NPT).

## **Pakistan's Uncertain Future: A Victim of Geopolitics**

### **by Ramtanu Maitra**

The spate of violence in Pakistan in recent months has deeply undermined Islamabad's authority over its people and has posed questions in the minds of its well-wishers: Where the country is heading? Pakistan has become a nation that has no clear objective for its people, and is driven exclusively by the geostrategic goals of the powers-that-be. What makes the problem even more complex, are Islamabad's simultaneous efforts to accommodate geostrategic directives issued by the United States and China, and at the same time, gingerly hold back the growing power of homegrown and foreign militant Islamic groups, who strongly resent the Pakistani authorities' kowtowing to the policies of the United States, in particular.

## **Bachelet Inaugural: 'In Chile, There Will Be No Forgotten Citizens'**

### **by Cynthia R. Rush**

On March 11, Chilean President Michelle Bachelet was sworn into office in the city of Valparaíso before 1,000 invited guests, and a jubilant crowd. Highly visible among the guests were the leading figures in the informal Ibero-American 'Club of Presidents,' whose motion toward an economic alternative to the International Monetary Fund's free-market austerity has greatly alarmed London and Wall Street bankers.

- **Documentation 'This Is an Historic Moment' for Chile**

We publish below excerpts from the Oct. 18, 2005 letter written by Michelle Bachelet Jeria as an introduction to the 2006-2010 Program of Government of the four-party Concertación coalition.

## **Book Review**

### **'Pax Americana' Offers No Future for Iraq**

#### **by Muriel Mirak-Weissbach**

*Die Zukunft des Irak—Pax Americana? (The Future of Iraq—Pax Americana?)*

by Jürgen Hübschen

Wiesbaden: Dr. Böttiger Verlags-GmbH, 2005

640 pages, hardback, EUR 28.80

If a book is worth anything at all, the first sentence should tell a lot. In the case of Jürgen Hübschen's book, this is indeed the case. He opens with the clear announcement: 'This is no 'anti-America book,' even though a superficial reading might give that impression.' Key to understanding the articulate analysis that the author gives of the most recent Iraq War, is, indeed, his clear differentiation between the neo-conservative clique running the war policy, and the real America.

## **National:**

## **GROWING WHITE HOUSE INSANITY**



## **LaRouche Democrats Drive Institutional Resistance**

**by Jeffrey Steinberg**

On March 14, the Los Angeles County Democratic Party Central Committee voted to authorize the charter of the Franklin Roosevelt Legacy Club. The initiators of the Club— Quincy O'Neal and Cody Jones—are elected members of the Central Committee, and have been involved in leading the day-to-day organizing in California against the fascist policies of George Shultz's leading operatives, Vice President Dick Cheney and California Governor Arnold Schwarzenegger.

## **Congressional Closeup**

**by Carl Osgood**

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

### **Seven Years After Deregulation, Electricity Rates Skyrocket in Maryland**

Increases of in electricity rates up to 72% can be expected for this summer, according to the Maryland's Public Utilities Commission, various media reported March 16.

Back in 1999, Maryland lawmakers were sold a load of goods about deregulation bringing competition and lower rates. They bought it, and now, with election season upon them, they are scrambling to soften the blow to the electorate before the summer rate hikes give voters a yen for regime change.

Some of the ideas being discussed are: allowing cities and counties to buy power in bulk; demanding the return of \$500 million that BG&E customers have paid over six years to "share the burden" of the power company taking on ownership of old coal and nuclear power plants; and the most radical idea—reregulate electricity. The lawmakers do have some leverage over BG&E's parent company, Constellation Energy, which is awaiting approval of a merger with a Florida company. The merger approval could hinge on cutting a deal over rates.

### **Deregulation of Utilities Now Hitting Home**

Two articles appearing on March 15, one in the *New York Times*, the other in the *Baltimore Sun*, document how the deregulation of utilities was designed to jack up electricity rates to consumers, cut tax revenues to government, and help line the pockets of the company executives. The monopoly status formerly enjoyed by utilities forced them to charge rates set by state regulators—from buying fuel, to building new power plants, to a virtually guaranteed profit and paying the taxes on the profit. Deregulation allowed companies that own other businesses to acquire utilities. When those other businesses lose money or create artificial losses through tax planning, those losses can be used to offset income earned by the utilities. What is interesting is that it is a scam, but not considered illegal in 26 states.

The classic example of this scam was Enron. Beginning 1997, Enron had collected nearly \$900 million from customers of Portland General Electric, which it had acquired to cover income taxes. Enron never paid taxes on their income, because it was sent to the Cayman Islands, where it had created 881 subsidiaries om Bermuda and other tax havens, tax shelters that on paper generated losses for the parent company!

A similar scam has helped to skyrocket the electricity bills in the state of Maryland. When the well-regulated Baltimore Gas and Electricity (BG&E) handed over their utilities on July 1, 2001, to the deregulated Constellation Energy, BG&E customers got nothing in return (see previous item).

## **Auto Crisis Deepens Under Threats of Strikes and Speculation**

General Motors and its machine-tool capacity is now caught between two competing, wildly speculative bidders for its GMAC unit, which may well cause GM to abandon the attempted sale entirely. A group led by Michael Milken's old buddies, the leveraged buy-out, private-equity firm Kohlberg Kravits Roberts, on March 14 submitted a "non-binding bid" for GMAC, as an "alternative" to Cerberus hedge fund's speculative carnival. It has emerged that Cerberus is trying to "parcel out" its purchase among at least two Japanese banks, other Asian credit firms, with those banks in turn farming out their pieces through syndications or other deals with other Japanese regional banks, etc. So GMAC would wind up in a hundred unknown pieces, with a million derivatives contracts. The fate of GMAC, according to the *Wall Street Journal* March 15, could have "significant impact" on global bond and derivatives-trading markets, where GMAC plays an out-sized role. The mere news of this "coupon-clipping" debacle is worsening GM's bond prices and credit rating, pushing it closer to the edge.

Lyndon LaRouche made a simple and forceful observation on this destructive and wild speculators' Mardi Gras around the GMAC sale. "We need to panic and bankrupt those speculators," LaRouche said. "If the Congressional leaders had balls, like I do, they would say, 'We're taking these auto companies under Congressional protection, and we're going to reorganize them. Not bankrupt them—they're not bankrupt—but reorganize their mission, provide credit and protection for it.' As soon as Congress said that," LaRouche concluded, "there would be a small market panic, and the speculators would take a big collective bath. Then we could apply the 'Enron rule' to Cerberus and their ilk—i.e., prosecute 'em."

Meanwhile, nearly all Delphi "Packard Division" locals, electronics workers represented by the IUE, have now voted overwhelmingly to authorize a strike; UAW leader Ron Gettelfinger said on March 14 that his talks with GM and Delphi were nowhere near any agreement, with Delphi CEO Miller's "D-Day" for dumping union contracts just two weeks away. All Delphi local leaders met in Michigan March 15 to assess prospects.

## **Delphi Retrenches, Creating Further Contraction in Auto Sector**

Delphi Corp., the world's second-largest auto-parts supplier, is itself dependent on a very large network of suppliers. In a cost-cutting, "streamlining" move, Delphi announced the first week in March, that it will slash the number of supplier companies from which it buys from 3,600 down to a "core group" of 750 companies, a reduction of five-sixths. The 2,850 Delphi supplier companies being eliminated, will continue to produce for Delphi under current contracts, but will not be allowed to bid on new business. These 2,850 supplier companies employ between five and 100 workers, or more, each. The March 13 *Automotive News* reported that, "there will be more losers than winners. As contracts with Delphi expire over the next two years or so, many suppliers will end up in deep financial trouble. Concludes [Delphi purchasing chief Dave] Nelson, "There's going to be significant fall-out—it's real clear."

At the same time, many among these "non-core" 2,850 suppliers, will be paid next to nothing on obligations that Delphi has for goods shipped to Delphi. When Delphi filed Chapter 11 bankruptcy last Oct. 8, it owed all its suppliers about \$1 billion. Under bankruptcy rules, Delphi does not have to pay those claims while it reorganizes. Companies that emerge from bankruptcy typically pay only pennies on the dollar for such obligations. This likely would set off a multiplier effect of plant closings.

## **De-Leveraging of U.S. Housing Bubble Will Cause 'Terrible Shock'**

In an article in the March 12 issue of *The Nation*, entitled, "Leaking Bubble," Doug Henwood writes: "The past several years have seen the most extraordinary boom in the U.S. housing market in history, rivaling the dot-com stock market madness of the late 1990s. In the third quarter of 2005, the average new house sold in the United States cost 4.9 times the average household's yearly income, up from 3.9 times in the late 1990s.... Turnover of new and existing houses in the third

quarter of last year was more than 16% of GDP, way above its long-term average of 9 to 10%, and easily beating the levels reached in the housing frenzies of the 1970s and '80s."

Families are buying homes on outrageously risky terms: In 2005, 43% of first-time home buyers "made no down payment at all." The housing bubble has metastasized into the entire U.S. economy, especially as homeowners borrow against the bubble-ized increase in the value of their homes. Henwood writes, "Americans have been using their houses as MasterCards, turning about \$726 billion of their home equity into (borrowed) cash between 2001 and 2005. That's a big number, even by the standards of the U.S. economy; it's equal to almost 40% of the growth in personal spending." Moreover, he declared, "Wall Street economists estimate that 40 to 50% of the growth in GDP and employment over the last several years has been driven by the housing boom."

In 2000, when the financial system was threatened with the bursting of the dot-com stock-market boom, Alan Greenspan intentionally fed the housing bubble, by lowering U.S. interest rates to 1%, Henwood noted. However, today mortgage rates are rising; home sales are sagging: "So many households have taken on so much mortgage debt that if prices merely stop rising, they're going to find themselves under water.... The broad economy has become so dependent on home-equity credit that its withdrawal could come as a terrible shock."

In response to the foregoing picture, Lyndon LaRouche stated, "This indicates that the Senate and House have no time to waste on adopting the measures I've proposed. There are those who propose that we wait until after the election to deal with these problems. That is irresponsible."

## **Treasury Official Moots Derivatives, Hedge-Fund Regulation**

Jaws must have dropped during the keynote address at the annual conference of the Institute for International Bankers March 13. There, Treasury Undersecretary for Domestic Finance Randal Quarles, during an otherwise uninteresting speech which included such topics as "Reforming Fannie Mae," let drop, in his concluding section, that the Department was considering looking into whether the growth of certain "sophisticated and complicated financial instruments and vehicles, such as derivatives and hedge funds," might hold a risk for investors and markets, in general.

Quarles did not spell out any specific initiatives, but reiterated, in his best Greenspanese, that, Treasury will now be "focussed on ... understanding whether the growth of certain types of institutions or instruments have materially affected the efficiency with which markets intermediate risk," concluding that, "this is the lens through which we will filter various ideas."

## **Pace of Plant Closings Exceeds 'Birthrate' for New Factories**

Due to globalization and deindustrialization, the rate of factory openings has been falling dramatically since 1998, and last year dropped lower than the pace of plant closings, heightening concerns about the health of our nation's rapidly disappearing manufacturing base, the *Wall Street Journal* reported March 15. The "birthrate" hit 2.4% in the first quarter of 2005, while closings are around 3.5%. Since 1997, the number of factories has dropped by 10%, to a mere 336,000. Investment in industrial structures, in particular, has plunged by more than 50% since 1998, to \$18.7 billion—"just a shadow of what it used to be," observed Global Insight. New plants use cutting-edge technology, the *Journal* noted, meaning they are crucial to our nation's competitiveness.

# **World Economic News**

## **Warnings Surface of an Iceland Bank Blowout**

In a lengthy article on the front page of its economic section (and promoted on the front page) March 13, Copenhagen's *Jyllands-Posten* warned against a blow-out of the Icelandic banks. The article, headlined, "Warning Against the Icelandic Geyser Economy," by Thomas G. Svaneborg, transmits this stern warning from Nykredit, one of the biggest Danish financial institutions. Included is a diagram showing the almost exponential increase in the price of the Icelandic bank stocks, with a fivefold increase over the last two years, and the caption: "Icelandic bank stocks rocket heavenward."

*JP* writes: "The roaring Icelandic banks are in danger of soon getting into serious economic trouble. In several parts of Europe, big institutional investors have stopped their lending to the eager entrepreneurs on Iceland, and in Denmark Nykredit is advising the investors to pull out their lending to the Icelandic banking market. 'I can't recommend to anyone lending money to for instance Kaupthing Bank [Iceland's biggest bank] in the short or long term under the present circumstances. The risk of incurring losses on the investment is too big' says Michael Sandfort, senior analyst in Nykredit Markets.

"The Icelandic banks have much more lending going out than deposits coming in, and for that reason have been borrowing many of the billions that in recent years they used to finance their own buying up abroad. They usually get the money by issuing bonds, and Michael Sandfort advises investors to get rid of that sort of paper.

"'We recommend selling all bonds issued by Kaupthing' he says and points out, that an Icelandic bank crisis can have incalculable consequences, since the three biggest banks in only a couple of years have been growing dramatically. 'They are so big, that they hardly can be saved by the Icelandic state alone, and since a major part of the investments are abroad, the state's obligation to provide a safety net under the banks is not the same any more' says the analyst."

A recent commission created by Reykjavik has developed an emergency plan for how to coordinate government intervention in case of a financial crisis. The commission recommends that the Icelandic financial oversight board get more power to intervene in the financial market, including the ability under certain circumstances to remove bank directors, board members and accountants.

Then in last week Merrill Lynch supported the Nykredit's analysis, and also warned against the many cases of cross ownership in Iceland. Sandfort looks critically at the fact that Icelandic banks' purchases abroad have been taken place very rapidly and at full market price. The competition on the Icelandic banking market is also increasing and lower the profit rates and it's only three years since the state owned most of the financial sector. According to Sandfort, too rapidly liberalizing the market often leads to a boom and a bankruptcy. "Every point is serious by itself, and when they come together like in this case, I'm almost certain that it cannot last" he said.

## **After the Iceland Meltdown, Now the Arab Stock Market Crash**

The global "emerging market" asset bubble is bursting. The first wave was marked by the Iceland crash in February, which already had short-term international repercussions. In early March, another wave hit stocks, bonds, and currencies all over Latin America and Africa, and in particular Russia and Turkey. Now, Arabian asset bubbles are bursting. An example is the Egypt stock market, which increased last year by more than 100%. On top of the liquidity pumped in by international "carry traders," some petrodollars, due to record-high oil prices, played an important role as well.

Now, the whole thing is bursting, and there is outright panic selling. On March 14, the Dubai stock market plunged by 12%, its biggest one-day decline in history. There had been already several other sharp declines in recent weeks. In total, the Dubai Financial Market Index has lost 40% since the start of the year.

In Egypt, the CASE-30 stock-market index plunged by 5.9% on March 14. The Egyptian Capital Market Authority openly

announced that it was buying up Egypt stocks in order to prevent the market from crashing.

As in Egypt, the government-run Kuwait Investment Authority has been instructed to buy up stocks after the Kuwait Stock Index Change Index falls by 3.7%. The decision was publicly announced by Kuwaiti Finance Minister Ibrahim al-Assaf on March 14.

Saudi Arabia has by far the largest stock market in the region. On March 14, the Tadawul All Share Index fell by 4.7%, following sharp losses on the previous three trading days.

After reaching an all-time high in mid-February, the total market capitalization among all Gulf region stock markets has imploded by an estimated \$250 billion to just below \$1 trillion.

On March 15, Saudi Prince Alwaleed bin Talal bin Abwaulaziz Al Saud, who *Time* magazine has called the "Arabian Warren Buffett," announced that he would invest \$10 billion in the Saudi stock market.

## United States News Digest

### New National Security Strategy Reasserts Preemptive War

The Bush Administration is promising more preemptive war and regime change in its new national security strategy, released on March 16. At the outset, it declares that it is "the policy of the United States to seek and support democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world." Therefore, "the fundamental character of regimes matters as much as the distribution of power among them." On the hit list are North Korea, Iran, Syria, Cuba, Belarus, Myanmar (which the document refers to by its British colonial name of Burma), and Zimbabwe, named as countries where the people "know firsthand the meaning of tyranny." It reaffirms the preemptive war doctrine first laid out in the National Security Strategy of 2002. "The greater the threat," it says, "the greater the risk of inaction, and the more compelling the case for taking anticipatory action to defend ourselves, even if uncertainty remains as to the time and place of the enemy's attack"

National Security Advisor Stephen Hadley was peppered with questions about, among other things, Iraq and the preemptive war policy, during an appearance, sponsored by the U.S. Institute of Peace, following the document's release. He insisted that, even though no weapons of mass destruction were found in Iraq, the invasion was justified. He said that there were 12 years of diplomacy and 16 or 17 UN Security Council resolutions making clear to the Iraqi regime what it had to do, "and the Iraqi leadership made the choice not to do it." After all that, Hadley huffed, it was "hardly a preemptive war."

As for the fact that no WMD have been found in Iraq, despite Saddam's ambitions for WMD being used to make the case for war, Hadley said that one of the things the administration learned was "that we need better intelligence," adding, "the basic proposition, though, remains, that we have seen the lethality of terrorist groups and their state sponsors without access to weapons of mass destruction. And we cannot turn away from the risk that those groups will acquire weapons of mass destruction and the threat that that could pose to the United States of America."

### FBI Database Has 200,000 Names

The FBI has created a computer database, the Terrorist Screening Center, with 200,000 names of terrorist suspects and their associates, which can be accessed by U.S. law enforcement (including local and state authorities), and government officials worldwide. The TSC consolidates ID information of both domestic and international terror suspects, from databases formerly maintained by DOJ, State, Defense, and DHS. According to the TSC Director, many of those listed in the

database "have what she described as inconclusive ties to terrorism or terrorist organizations," the *Washington Times* reported March 16. But, not to worry: The FBI claims that the majority of the listed individuals live outside the U.S., and the database has daily updates of additions, modifications, deletions of information.

## **Abu Ghraib Commander Takes the Fall**

Colonel Thomas Pappas, intelligence commander at Abu Ghraib prison during the detainee abuse in the fall of 2003, took responsibility in March 15 testimony in the court martial of one of the dog handlers, for the inappropriate use of dogs in interrogation, the *Washington Post* reported March 16. Pappas said that he was the one who authorized the use of the technique against one detainee, and failed to oversee that use. Pappas said he had learned of the use of dogs from a team of intelligence officials from the Guantanamo military prison, and that there was a discussion with Maj. Gen. Geoffrey Miller and his staff about exploiting the Arabs' fear of dogs to "set the conditions" for interrogation.

Separately, the just-retired judge advocate general of the Army, Maj. Gen. Thomas J. Romig, and the judge advocates general of the Navy and the Marine Corps, responding to questions from the Senate Armed Services Committee about a specific Guantanamo detainee, said that a number of aggressive techniques used by military interrogators on the detainee "were not consistent with the guidelines in the Army field manual on interrogation," because the techniques were humiliating or degrading. In contrast, an earlier investigation by two generals of FBI allegations of abuse at Guantanamo, found that the techniques could be considered collectively abusive and degrading, but that each individual tactic was authorized under the Army field manual.

## **SBA Approval Rate for Disaster Loans Lowest in 15 Years**

The Bush/Cheney Administration's Small Business Administration approval rate for disaster loans is the lowest in 15 years, AP reported March 15. Democratic members of the House Small Business Committee released a study on March 15 showing that in the face of the nation's worst natural disaster, Hurricane Katrina followed by Rita and Wilma, SBA's approval rate is barely 15% of all applications. The report shows that disaster loans for homes and businesses during the Bush 41 and Clinton Administrations averaged near 60%. Bush 43's SBA loan approval rates were about half that, at 35%, until last year's disasters when the approval rate plummeted to 15%. The Ranking member on the committee, Rep. Nydia Velazquez (D-NY), scored the Bush/Cheney malfeasance, "This was a monumental disaster, and it requires a monumental response. That hasn't happened. People are suffering, and it's the SBA's role to provide assistance."

SBA officials have argued that the high rejection rate is due to the region's high number of low-income families and businesses. The report is expected to show that in Louisiana, nearly three in five applicants could not meet credit standards to be approved for a loan. The message is clear: If you are poor and disaster strikes you and your family, you can't expect *this* government to help you. It is noteworthy that soon after Katrina and Rita hit, the Bush team rejected outright any provisions put forward in disaster-relief bills that would turn any loans into grants—a standard practice in previous administrations.

## **Prestigious Group To Look at Iraq With 'Fresh Eyes'**

Growing concerns about Iraq have led a bipartisan group of 30-40 members of Congress, all of whom have visited Iraq multiple times, to ask an independent group to make its own assessment. That group, co-chaired by former Secretary of State James Baker III and former Rep. Lee Hamilton (D-Ind), will look at Iraq with what Rep. Frank Wolf (R-Va) described, on March 15, as "fresh eyes." Wolf said that "the request for this really came out of members of Congress from both parties who have been to Iraq who feel fresh eyes is a very good approach." He added that it was no secret that "people have been desirous of coming together to find a common ground." Other members of Congress supporting the effort include Senate Armed Services Committee chairman John Warner (R-Va) and Sen. Joe Biden (D-Del), ranking member,

As described by Baker, the purpose of the Iraq Study Group is to make "a bipartisan forward-looking assessment of the situation on the ground in Iraq," with the objective of making "an honest assessment of where we are, and how to move forward." Hamilton added that the group will not be revisiting past debates on Iraq policy. "We have to understand where we are," he said, "but our effort will be to look forward." Aside from the ten members who were announced on March 15, the group will also have an advisory panel of retired senior military officers and four working groups focussing on the strategic environment in Iraq and the region, the military and security situation in Iraq, political development, and economic reconstruction. Neither Baker nor Hamilton would comment on the present situation in Iraq, however. Hamilton would only say, "We see a formidable challenge for the country."

## **Quick Action Needed Against Foreign Ownership of Airlines**

Senator Frank Lautenberg (D-NJ) has called for quick action on a bill to prevent the White House from ending the 65-year ban on foreign ownership of U.S. airlines. Lautenberg made his appeal in a March 8 letter to the two Senate leaders, Majority Leader Bill Frist (R-Tenn) and Minority Leader Harry Reid (D-Nev), regarding a bill that he and Hawaii Democrat Daniel Inouye had introduced last year. "Too much is at stake to allow such a sweeping proposal without careful study of the impact to our national defense, homeland security, U.S. jobs, and the financial stability of the U.S. airline industry. First our ports, now our airlines—President Bush is holding a fire sale of vital parts of our U.S. economy. The safety and security of the flying public should be the President's top priority—not helping foreign companies with their bottom line. This decision will only make air travel more risky," Lautenberg warned.

## **AIPAC Defendants Want Top Administration Officials To Testify**

The attorneys for the two ex-AIPAC officials, Keith Weissman and Steven Rosen, accused of illegally receiving classified information, want to subpoena top Bush Administration officials, to testify at their trial, the Israeli daily *Ha'aretz* reported March 13. The officials named include Secretary of State Condoleezza Rice, National Security Advisor Stephen Hadley, and Hadley's deputy Elliott Abrams; former Deputy Secretary of State Richard Armitage; David Satterfield, deputy head of the U.S. mission in Iraq, William Burns, the top U.S. envoy to the Middle East; retired Gen. Anthony Zinni, and Kenneth Pollack, a former CIA officer. The judge in the case has yet to decide whether to allow all of them to be subpoenaed.

## **Ibero-American News Digest**

### **Brazil Drafts 15-Year Nuclear Energy Plan**

Science and Technology Minister Sergio Rezende announced March 7 that Brazil has a plan to build seven nuclear plants over the next 15 years, two of them in the country's most impoverished region, the Northeast. Rezende made this revelation in interview with BBC Brazil, while he was in London, accompanying President Lula da Silva on a state visit. Rezende said he wants the government to approve the National Nuclear Energy Plan by the end of July. Once that happens, construction of the already-started Angra 3 would be completed, and then one new nuclear plant would be started every two to three years afterwards, for the following 15 years. This will be controversial, he said, but nuclear energy should stop being seen as the "ugly duckling." These plants can be built near urban centers, unlike hydroelectric plants, and costs will cheapen soon due to the worldwide renaissance in nuclear energy, he argued.

Rezende also announced that the formal inauguration ceremonies for the start-up of Brazil's uranium enrichment program on an industrial scale—pushed back repeatedly as the international campaign on Iran escalated—should occur in April, when President Lula can attend. Small-scale production has already begun, he said.



*Isto-E* magazine, which called Rezende's revelation of the nuclear plan a shocker, because no one knew that the government was giving nuclear power such attention, reported in its issue dated March 15, that the Science Minister visited the Joint European Torus (JET) fusion program while in London, and that the president of the National Nuclear Energy Commission Odair Goncalves, had joined Lula's team in London—after a trip to Moscow for which his agenda had not been revealed.

The decision to expand Brazil's nuclear capabilities beyond its two existing plants is still being fought out, however. After his meeting with British Prime Minister Tony Blair, the Argentine President said that the government has not decided yet whether it will approve the National Nuclear Plan. Economics Minister Antonio Palocci quickly told reporters that hydroelectric plants, not nuclear, is what is needed.

To encourage Brazil's move toward nuclear energy, *EIR* has translated the Mexican LaRouche Youth Movement's call to "Use the Nuclear Option to Stop Fascism" (see Feb. 24 *EIR* InDepth (#7) into Portuguese, posted it to *EIR*'s Portuguese-language web page, and circulated it within Brazil's extensive nuclear institutions.

### **Kirchner: We Will Not Treat People 'As if They Were Cattle'**

Slamming the free market, cartels, and speculators for toying with people's lives and raising beef prices, Argentine President Nestor Kirchner demonstrated a "take-no-prisoners" approach to defending the general welfare in the battle to keep meat prices within consumers' reach. The Argentine Beef Consortium (ABC) of large exporters and slaughterhouses is hysterical that Kirchner is *personally* taking on this issue, going so far as to consider shutting down the privately-run Liniers beef market in Buenos Aires, which sets the reference price for the rest of the country. But the head of the small producers' organization, the Argentine Agrarian Federation (FAA), defended Kirchner's actions, saying "This is for the general welfare."

In a hard-hitting, nationally televised speech March 14 in Rio Negro, Kirchner directly addressed Argentines as well as their neighbors in other countries. Powerful interests have to understand that "for a country to move forward, it must have an absolutely responsible economic process which reflects solidarity." Stating that he had asked large producers to cooperate in bringing down the beef price—to no avail—Kirchner warned, "I'm not going to budge. No beef exports for 180 days, and if I have to make it 360 days, I'll do it, because I'm convinced it's necessary.... To those of you watching me on television, you know how this famous pricing scheme works.... They say this is how free enterprise works.... But nobody believes that it's supply and demand," that sets the beef price, Kirchner said. "We know how it's done, how they manipulate.... This trickery no longer has a place in Argentina, and we Argentines aren't willing to tolerate it any longer."

The Argentine President told citizens that if the price doesn't come down, they should stop buying beef. "Let [the speculators] feel the power of Argentine consumers.... Don't let them sell at the price *they* want." He told slaughterhouse workers not to heed the owners' threats, that they would lose their jobs because of Kirchner's regulatory controls. "The national and provincial governments will give you all the support necessary to put an end to this type of extortion. It's not the case, that if exports are halted we're going to throw people out of work, as if they were cattle. That practice has ended. People are people in Argentina; they have rights and qualities, and the dignity to feel like Argentines."

### **U.S. Steelworkers Defend Mexico's Mineworkers**

The United Steelworkers of America held a march in support of Mexico's Metalworkers and Miners Union March 17 in Philadelphia, starting at the Liberty Bell and ending at the Mexican Consulate. The USW, which has a strategic alliance with the 250,000-strong Mineros union, protested the Fox government's bald maneuver to replace the leadership of the union with a rump caucus of toadies, after the miners union charged that company negligence and government collusion



were responsible for the deaths of 65 miners in a single mine accident on Feb. 19. USW Secretary Treasurer Jim English called the attempt to oust Mine and Metallurgical Workers head Napoleon Gomez "a shameful act of naked aggression against the human rights of workers who make their living under the most dire circumstances." AFL-CIO vice president Linda Chavez Thompson and Pennsylvania AFL-CIO president Bill George also attended.

On March 16, the Mineros filed a suit against the shareholders, directors, and executives of Grupo Mexico's Industrial Minera Mexico, along with President Vicente Fox's Secretary of Labor, Francisco Javier Salazar, and two government inspectors, charging all of them with "premeditated industrial homicide" in the Pasta de Conchos coal mine in Coahuila, where the 65 miners died. The conditions are so bad in that mine that the bodies of those who died remain underground. A team of miners who tried to reach the area of the explosion again last week announced, as they emerged from the mine, that the company had lied about how close they had gotten to the area of the explosion, over a mile down, and they would not go back down until they were provided adequate equipment and security, or more miners would die in the attempt to reach those who already perished. The response of Grupo de Mexico's management was to prohibit miners from talking to the press.

The government's union-busting attempt has only added to the national outrage at the scandalous slave labor conditions under which the miners work, provoking a national mobilization of the Mexican labor movement as a whole.

## **Uribe's Supporters Sweep Legislative Elections in Colombia**

Critical Congressional elections held March 12 in Colombia, produced a major sweep by the six-party coalition of political forces backing President Alvaro Uribe's reelection bid. Presidential elections will be held in May, and Uribe is now considered a shoo-in for a second four-year term. The Colombian Constitution was amended recently to allow for second-term Presidencies, and so Uribe's victory will be an historic one.

Despite voter abstention rates as high as 60%, in large part due to the narcoterrorist FARC's pre-election terror campaign and widespread assassination threats against candidates around the country, Uribe's supporters will be taking 65 of 102 seats in the Senate, and 90 of the 166 in the lower House, knocking the Liberal Party, dominated by the pro-drug former Presidents Alfonso Lopez Michelsen and Cesar Gaviria, out of their long-held majority in the Congress.

Among the Uribe coalition forces who swept the election was the Alas Equipo Colombia group, which maintained its bloc of five Congressional seats. Maximiliano Londono, the president of the LaRouche Association who ran for Senate on the Alas slate, has announced that the association will campaign for the Presidential elections under the war cry: "A Train and Nuclear Energy in Search of a Candidate."

## **U.S. Southern Command Joins Crusade Against Venezuela**

U.S. Southern Command General Bantz Craddock added his voice to that of such luminaries as Condoleezza Rice, Pat Robertson, and Bruce Willis, in statements March 13 before the Senate Armed Services Committee, in which Bantz called Hugo Chavez's Venezuela a "destabilizing force" in the Americas.

Craddock pointed to the petrodollars pouring into Venezuela, and claimed that they were "not being used in Venezuela, but throughout the region," presumably to support unwelcome (to the Bush-Cheney cabal in Washington) new regimes or electoral campaigns in the Andean region, such as Evo Morales in Bolivia and Ollanta Humala in Peru. He also referred to Venezuela's ongoing arms-purchase negotiations, particularly with China, suggesting that these transactions are not being conducted in a "transparent" way or from national defense concerns.

# Western European News Digest

## Attacks on French Labor Code Trigger Growing Mass Ferment

The movement against the First Employment Contract (CPE) created by Prime Minister Dominique de Villepin for youth 18 to 25, is continuing to grow throughout France. While in principle a long-term contract, the CPE allows employers to fire youth without cause during the first two years on the job. The youth would then get unemployment compensation for a few months.

De Villepin had his law for this contract voted without debate or amendments, by invoking Article 49.3 of the Constitution; and then, along with Interior Minister Nicolas Sarkozy, decided to use force to end the occupation of the Sorbonne by 2,000 students protesting the law. The Bonapartist methods have only provoked a massive growth of the movement, and a plunge in the opinion polls for both Sarkozy and de Villepin. Three mass demonstrations occurred March 14, 16, and 18. The Saturday demonstrations, bringing together high school and university students, as well as public employees, were expected to define whether this contract will hold or not.

President Jacques Chirac, who's on a much more "progressive" line and was against the law in the first place, is discreetly trying to find fallback options. Jean Louis Debré, head of the National Assembly and a Chirac loyalist, stated that while one cannot change a law which was just adopted, a new law changing some provisions is possible. The Socialist Party has filed an appeal with the Constitutional Court.

## A Half-Century of German Social Welfare Under Attack

In a speech at an FDP (Free Democrats) election campaign event in Wiesbaden, on March 12, Norbert Walter, the head of the Deutsche Bank Research section and an FDP member, ran through the entire list of neo-con calls for budget cuts ("reforms").

This included the slogan that "the minimum of what we need is Kirchhof," referring to the scandalous summer 2005 "sledgehammer" threats by Paul Kirchhof against the social-welfare system in Germany. Walter added his own view that Germany has been run by socialism-minded governments during the past 50 years, including governments dominated by "CDU socialists."

Not only was Walter challenged by an audience member, but it was clear that not everyone in the audience of about 100 shared Walter's views, as judged by their reactions on leaving.

## After Dresden: Now Leipzig and Berlin Housing are Targets

Social Democrat (SPD) Burkhard Jung, Leipzig's newly elected mayor, is thinking of selling the city's 59,000 publicly owned flats to a hedge or other investment fund, along the lines of the Dresden Woba model. That would relieve Leipzig of its 900-million-euro debt at one single stroke, he says (and give the creditor banks the same sum, which he does not mention). Which just shows that those Leipzig voters that voted for the SPD's candidate in the Feb. 26 mayoral election were fooled.

Also, the municipal treasurer of Mainz, Kurt Merkator, also of the SPD, is considering selling 13,000 publicly owned flats to pay off the 540-million-euro debt of the city. The sale there would, however, be somewhat complicated, as three former districts of Mainz are now territorial property of Wiesbaden (Kostheim, Kastel, and Amöneburg), so that Wiesbaden keeps a share of 17% in the Mainz municipal housing sector.

Also, fund managers of the British "investment" fund Puma Brandenburg Limited, announced March 15 that they want to pour up to 1 billion euros into the takeover of privatized municipal housing, predominantly in Berlin. In the near-term, they want to purchase 20,000 flats, notably in the Kreuzberg and Wedding districts. Puma is a daughter of Britain's Shore Capital Investment Bank.

Apparently, talks have already taken place between the fund and the SPD-PDS (former East German communists) municipal administration of Berlin, which has, however, posed a ceiling on sales of no more than 3,000 flats, for the time being—that is, before the September elections for municipal council. Originally, the plan was for sales of 15,000 flats of the city-owned WBM (Wohnbaugesellschaft Mitte), but that was pulled back, because of growing unrest also in Berlin, over the sale of the WOBA Dresden, and its implications on other cities. Tenants are, after all, also voters.

## **German Retirees Under Heavy Attack by Neo-Cons**

Germany's ruling coalition under Chancellor Angela Merkel (Christian Democrat) is criminally committed to keeping in line with the Maastricht rules, from 2007 on, instead of looking for real alternatives. This implies that the 25 billion-euro conjunctural program, which the government announced it would start in 2006, will not get off the ground, because preparations for meeting the Maastricht requirements for 2007 are already on the way. In any case, the government had planned not to invest more than 3.7 billion, of the entire 25 billion-euro program, in 2006.

The respective preparations include renewed attacks on Hartz IV (social-welfare) recipients and on retired citizens. Two expert panels working for the government have said 1) that Hartz IV recipients are "overpaid" with 345 euros per month, because asylum-seekers from other countries usually get along with only 225 euros; 2) that pensions will not increase before 2016, and likely drop in the years after. Labor and Social Affairs Minister Franz Muentefering (SPD), meanwhile, made himself a mouthpiece for the neo-con call for raising the retirement age from 65 to 67 years.

In the *Bildzeitung* on March 16, Johann Eekhoff, former Assistant Economic Minister of Germany, declared that only those that have children contribute to the future of the community. Those that don't have children, do not; therefore, they should live with 50% cuts in their retirement pay.

## **Strike Actions Begin in German University Clinics**

Surgeons and other leading personnel at the university clinics of Freiburg, Wuerzburg, Heidelberg, Munich, Mainz, Bonn, Essen, and Halle began an unlimited strike March 16, in protest against chronic underfunding and of excessive working hours. Strikes may be expanded to all university and state clinics, after between 95-98% of the 22,000 doctors voted for it.

It is not a total strike: Clinics are, for the time being, kept on a Sunday schedule, with reduced staff, and emergencies will be treated, declared a spokesman for the doctors' association, the Marburger Bund. A protest march and rally with 4,000 doctors taking part, was held in Mainz.

## **'Economic Protectionist Reflex' Against Unbridled Capitalism**

In Hungary, which holds parliamentary elections on April 9, economic protectionism seems to be on the rise. The chairman of the conservative opposition party Fidesz, former Prime Minister Viktor Orban, gave an interview to *Frankfurter Allgemeine Zeitung*, in which he described the program his government would implement as a "patriotic economic policy": "We want to end the 15-year chapter of unbridled capitalism." It is time to "finally bring in solidarity into the Hungarian society."

Among the problems which society faces is demographic: There are "more funerals than births," said Orban, and given the immense stress, many of the younger generation, in particular, young men between 37 and 48 years old are dying. "Anyone who reaches the age of 55 can expect a high life expectancy," Orban said. He located the cause for so many deaths in day-to-day stress, the fact that many people hold several jobs to feed the family, not enough living space, and that many suffer cardiovascular and heart disease. The key is the unemployment which is at 700,000, where one-third of the population are pensioners or on disability pensions.

## **German Neo-Con Praises Black Market as 'Economy of the Future'**

In an interview published in the March 12 *Frankfurter Allgemeine Zeitung*, leading German neo-con Kurt Biedenkopf spewed venom against the current resistance to budget-cutting reforms. In a variant of "demographic terrorism" (or, clash of generations), Biedenkopf forecast that the next generation of grandchildren will tell the then-aged present generation they have had their life, and take away from them what they think they need for their own life.

Biedenkopf also said that the lack of budget-cutting "reforms" and continuation of allegedly bloated welfare structures, has turned the black market into a laboratory for what kind of jobs will exist in the future. With 5-6 million unofficial jobs already now, Biedenkopf claimed, the black market was the "seed crystal of the future economy."

## **Author of New Herrhausen Slander is Anti-New-Deal**

None other than Andreas Platthaus, the scribbler of the *Frankfurter Allgemeine Zeitung* who twice slandered local campaigns by Helga Zepp-LaRouche's BueSo (Civil Rights Solidarity) party for the revival of Roosevelt's New Deal paradigm last year, is the author of a new book, *Alfred Herrhausen—A German Career*. Conceding on the one side that Herrhausen, head of Deutsche Bank, who was assassinated in 1989, has to be seen in the tradition of nation-builders Walther Rathenau, Hermann Abs, and Juergen Ponto, Platthaus then tries everything to denigrate Herrhausen. He alleges that Herrhausen made himself some sort of "charismatic personality" which offended the tradition of understatement and team work at Deutsche Bank, and that he tried to present himself as a great intellectual, against his more sober "just bankers" colleagues at the bank. In the end, however, Platthaus has to concede that Herrhausen spent a good part of his time with studies of philosophy and theology.

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

### **Putin Gears Up Russian Nuclear Industry**

Addressing a conference in the Kremlin on March 14, just as the energy ministers of the G-8 nations were beginning their meeting in Moscow, Russian President Vladimir Putin emphasized that nuclear-power engineering is "a priority branch for the country, that makes Russia a great power; the most ambitious projects and progressive technologies are linked with this [industrial] branch." Describing nuclear power as "one of the most important national priorities" for Russia, which is also seeing a revival in the U.S., Putin said that nuclear power is "no longer a Cinderella," or outcast.

The head of Russia's nuclear state enterprise Rosatom, Sergei Kiriienko, stated that government budget funds are insufficient to build the 40 or so new nuclear reactors Russia needs in the next 20 years. So, Russia plans to build 60 nuclear plants abroad, expecting major "markets in southeast Asia," Kiriienko said. Soviet nuclear specialists built 30 reactors in other countries, and since the break-up of the Soviet Union, selling services abroad is how Russia has financed, and kept alive, its space program. Prime Minister Mikhail Fradkov, Security Council Secretary Igor Ivanov, and Industry and Energy Minister Viktor Khristenko also attended the meeting.

## **Moscow Agenda for G-8: 'Nuclear Power Inevitable'**

A meeting of the energy ministers of the Group of Eight industrialized countries came to the "conclusion that the nuclear-power industry is an inevitable prospect for some leading economies," in the words of Russian Industry and Energy Minister Viktor Khristenko. The Energy Ministers of India, China, Brazil, Mexico, and South African Republic were also invited to the meeting, which took place in Moscow March 16, as well as representatives from the World Bank and OPEC.

According to Khristenko, the meeting paid special attention to "the role of the nuclear-power industry in the future of the world's energy balance." Russian President Putin also addressed the gathering, underscoring that the expansion of nuclear energy would be very much needed to help the developing sector.

## **Kiriyenko in China for Nuclear Power Talks**

Concluding talks in Beijing March 17, Rosatom chief Sergei Kiriyenko announced that bilateral cooperation in the development and use of civilian nuclear power shall be intensified. "This involves the construction of new nuclear-power plants, as well as cooperation in science and technology," Kiriyenko said, before departing to Lianyungang, where Rosatom is currently building two reactors at the Tianwan nuclear-power plant.

Kiriyenko will visit China again on March 21, as part of President Putin's delegation. Deputy Prime Minister Dmitry Medvedev on March 17 noted the overall development of bilateral trade between Russia and China, pointed out that "six years ago, we planned to bring our trade turnover to \$10 billion; today we have reached \$29 billion." Reaching the level of \$60-68 billion, at the present pace, is feasible, he added.

## **Nuclear Power on Fradkov's Agenda in India**

In the context of a visit to India by Russian Prime Minister Mikhail Fradkov, beginning March 17, Indian Prime Minister Manmohan Singh (whose energy minister attended a special Moscow-sponsored event at the recent G-8 energy ministers meeting) said that India and Russia would advance bilateral cooperation in civilian nuclear programs. This particularly concerns the Indian reactor project at Kudankulam, in the southern province of Tamil Nadu, which is being built with Russian assistance. That is only a pilot project for more in-depth cooperation between India and Russia, Singh said. Russia also provides vital fuel for the two reactors Tarapur-1 and Tarapur-2, which otherwise would be faced with fuel shortages.

Fradkov said upon arrival that the present kind of trade, in which Russia delivers finished industrial goods and India mainly agricultural goods and textiles, will be lifted to a higher level of cooperation, and be expanded. Singh said that Indian trade with Russia will more than triple during the coming five years, from an annual trade turnover of \$3 billion to 10 billion.

## **U.S. Recalcitrance on Russian Nuclear Cooperation Blocks Development**

Former Russian Atomic Energy Minister Viktor Mikhailov, in a recent interview with RIA Novosti, correctly stressed that American refusal to renew the U.S.-Russian nuclear-energy cooperation agreements has helped escalate the Iran "crisis," and also stall the development of critical next-generation nuclear technologies. The U.S.-Russia nuclear cooperation agreement was allowed to expire five years ago, after the U.S. passed the 2000 Iran Nonproliferation Act. Mikhailov fought with the White House throughout the 1990s, refusing to pull Russia out of the deal to complete Iran's Bushehr nuclear reactor.

As a result, there are two parallel international efforts for nuclear-technology development. One, a Generation 4 program, is led by the U.S. and does not include Russia or "former Soviet" countries. The other, under the auspices of the IAEA, is the

International Project on Innovative Nuclear Reactors and Fuel Cycles (INPRO), led by Russia, with 22 members, some of which overlap with the U.S.-led program. Both programs have ongoing activities in the same technology systems—high-temperature reactors, fast reactors, hydrogen-generating and other process heat applications, etc. Both have long timetables to actually build anything, and little funding.

There have been ongoing, informal discussions between American and Russian nuclear scientists from the nations' laboratories and institutes, on restarting a joint nuclear-technology development effort. According to the Russian Embassy, a delegation of U.S. nuclear experts is leaving soon for Moscow. But without a bilateral civilian nuclear agreement, it is unclear that anything can be accomplished. According to a Russian staff member at the IAEA, on April 10-12, there will be a technical meeting to discuss the next phase in INPRO's plans, where there may be a U.S. perspective presented for its collaboration with INPRO.

## Southwest Asia News Digest

### U.S. and Iran Express Openness to Talks on Iraq

White House press spokesman Scott McClellan said March 16 that U.S. Ambassador to Iraq Zalmay Khalilzad was authorized to speak to the Iranian government about issues specific to Iraq. Earlier, the head of Iran's Supreme National Security Council, Ali Larijani, had endorsed a call from Iraqi Shi'ite leader Abdel Aziz Hakim for talks between Tehran and Washington. National Security Adviser Stephen Hadley also said in a speech March 16, explaining the new defense doctrine, that the U.S. is prepared to have a conversation with Iran.

Hakim, the head of the SCIRI, in the Shi'ite United Iraqi Alliance (the largest political faction), made his proposal in a speech commemorating victims of the attacks in Sadr City days earlier. "We call on the wise leadership of the Islamic Republic [of Iran] to open a clear dialogue with the United States and to discuss points of disagreement over Iraq. Such a dialogue can only help Iraq," Hakim said.

Khalilzad had told Al Sharqiya TV March 10, that he was open to talks with Iran on matters of mutual concern.

Larijani, who is also lead negotiator in Iran's nuclear talks, responded positively: "Since Mr. Hakim, one of the influential leaders in Iraq, has asked us to talk to the Americans regarding the future of Iraq, therefore we accept to talk to them about Iraq. In the coming days, we are going to designate people who are going to carry out these talks," Larijani told the press, following a closed-door speech to Parliament. The goal of the talks, he said, would be to create an independent Iraqi government. According to the March 16 *Washington Post* account, Larijani also said: "We can create stability and security in the region, but not with the sort of rhetoric and language Mr. Bolton is using. What is needed is sensible people who can think of a long-term plan."

Iran's recent governments have been open to talks with the U.S., and, eventually, to restoring diplomatic relations, on certain conditions. In the past, these conditions have included unfreezing frozen assets, apologizing for past aggression (e.g., the Mossadeq coup), and dealing on an equal footing. It is not known what, if any, conditions are being posed at this time. Talks did take place in 1991, in the context of the Six-plus-Two meetings on Afghanistan.

Regional experts have repeatedly stressed, that there can be no solution to the Iraq mess, without the full, active participation of its neighbors, especially Iran, which has the most clout. The "LaRouche Doctrine" of April 2004 made this point the cornerstone of a viable policy to end the war and stabilize the region.

### Interview with *EIR* Board Member in Arabic Press

A lengthy interview with *EIR* editorial board member Muriel Mirak-Weissbach was published recently in a leading Egyptian newspaper and several other Arabic publications. The interview was conducted during her early February visit to Cairo by syndicated columnist El-Sayed Hani for *Al-Gumhuriya* (the second-largest Egyptian daily, after *Al Ahram*), and was carried in many other newspapers as well. Hani, who had also attended a Cairo University forum in which Mirak-Weissbach participated, asked many questions about the Mohammed cartoons in *Jyllands-Posten*, who was behind the cartoons, the role of George Shultz, and the threat against Iran.

The interview in Arabic in *Al-Gumhuriya* is available online at:  
<http://212.103.160.28/algomhuriya/2006/02/25/news/detail05.shtml>

A speech by Mirak-Weissbach at Cairo University on a previous visit, on perspectives for changing U.S. policy towards Southwest Asia, has recently appeared in a book published in Cairo.

## **Establishment Writers Attack Bush War Rhetoric**

President Bush's cheerleading for the Iraq war was excoriated by establishment op-ed writers March 16. Veteran *Washington Post* political writer David Broder, and *New York Times* columnists Bob Herbert and David Brooks published columns March 16 attacking President George Bush's continuing promotion of the war in Iraq, and more generally, the Administration's failure to understand the war it started.

Broder notes that that week's series of Bush speeches comes in the context of "deepening skepticism on the part of voters" about the war. After summarizing Bush's optimistic statements in a speech on March 13, Broder devotes the remaining half of the article to statements by former U.S. Central Command chief Anthony Zinni in his recent book and in a summer 2002 speech, that Secretary of Defense Donald Rumsfeld was underestimating the manpower needs for the occupation of Iraq, and that getting rid of Saddam Hussein was no panacea for U.S. interests in the region.

Bob Herbert remarks that, "An ocean of blood has been shed in Mr. Bush's mindless war, and there is no end to this tragic flow in sight." He continues, "Everyone who thought this war was a good idea was wrong and ought to admit it. Those who still think it's a good idea should get therapy." The administration should be working with Congress on an exit strategy, but "Before that can begin to happen, the Administration will have to rid itself of the delusion that things are somehow going well in Iraq."

David Brooks relates that in the last week of March 2003, shortly after the ground invasion of Iraq, Fedayeen suicide attacks and serious resistance in Nasiriya led commentators in the U.S. and throughout the world to conclude that "the U.S. was not in the midst of a conventional war, but was in the first days of a guerrilla war," and media editorialists began calling for the deployment of more troops. According to a recent book, *Cobra II*, the debate inside the administration at that time was different. "The officers on the front lines saw the same thing the smart pundits saw, and in more detail." But Rumsfeld and Gen. Tommy Franks suppressed negative views about the progress of the war, and shut out the National Security Council. If Rumsfeld had made the necessary adjustments in that week in March 2003, Brooks says, "much of the subsequent horror could have been averted."

## **JCS Chief: No Proof of Iran Role in Iraq Fighting**

Chairman of the Joint Chiefs of Staff Gen. Peter Pace (USMC) told a Pentagon briefing March 14 that he has no proof that Iran's government is involved in supplying weapons or personnel for fighting in Iraq. President Bush, however, made the claim on March 13—referring to improvised explosive devices (IEDs)—that "Some of the most powerful IEDs we're seeing in Iraq today include components that came from Iran." And Defense Secretary Donald Rumsfeld said last week that



the Iranian Revolutionary Guard had been operating inside Iraq. Pace, when asked if the United States had proof that the Iranian government was behind these alleged developments, responded, "I do not, sir."

## Asia News Digest

### Taliban Boss Promises 'Hot Summer' for Occupiers in Afghanistan

Amidst a public spat between Kabul and Islamabad over security matters, the Taliban supremo, Mullah Omar, warned U.S.-led forces of "unimaginable" violence in coming months. "A large number of Afghan youths are pouring into Mujahideen camps to register their names for martyrdom attacks and to join the resistance," said a statement attributed to Mullah Omar, which was sent to various media networks. Meanwhile, Taliban commander Mullah Dadullah, who played a significant role in revving up agitation inside Pakistan during the Danish cartoon episode, has announced that his group will unleash a wave of suicide bombings, and has offered 100 kg in gold to anyone who kills the people responsible for the Prophet Muhammad cartoons published by European papers.

Two additional developments worry the U.S.-led forces. First, opium poppies are in full bloom once more this spring in Afghanistan, and it is anyone's guess what will be the final haul of Afghan opium this year. Experts expect it will be close to the record 5,000 tons produced under the watchful eyes of the U.S. occupiers in 2004.

The second worry is that the old U.S.-supplied Stingers are back in business, and this time with the Taliban. U.S. and NATO forces are following up reports that Pakistan has supplied the Taliban with the battery packs that would make the Stingers active, making the NATO helicopters as vulnerable as the Russian copters were in the 1980s.

### Did Pakistan Pay Big Bucks To Hush Up the 9/11 Commission?

According to the March 16 *Friday Times*, a weekly magazine published from Islamabad, the Pakistani Foreign Office paid, through its Washington lobbies, tens of thousands of U.S. dollars to get anti-Pakistan references dropped from the 9/11 inquiry commission report. The weekly said the story is based on disclosures made by foreign service officials to the Public Accounts Committee (PAC) at a meeting in Islamabad on March 14.

After the commission tipped off the lobbyists about the damaging revelations on Pakistan's role in 9/11, the lobbyists helped Pakistan win the sympathy of 75 U.S. Congressmen, the magazine said. The *Friday Times* claims that a lot of money was used to silence the 9/11 commission members.

### India Plans Major Expansion in the Andamans

India is about to begin military expansion in the Andaman Islands, a strategically vital archipelago in the Bay of Bengal, according to observers and military commanders. The plans include construction of three new air bases to add to the existing one; increasing coast guard troop levels, and strengthening infrastructure at old facilities in the islands.

"Our expansion plans are totally transparent and the defensive measures are being taken to ensure the safety and security of the islands only," said Vice Admiral Arun Kumar Singh, commander-in-chief of the Andaman and Nicobar Command, Reuters reported March 16.

India has air and naval bases in addition to listening posts across the archipelago, as it considers its sea routes vital to its security.



Many Indian defense experts believe China has set up military and intelligence facilities in Myanmar's Cocos Islands, a few miles from India's Diglipur base, 115 miles north of Port Bliar in the Nicobar Islands—although the Indian naval chief last August said that he believed a Myanmar official statement that there were no such Chinese facilities in the Cocos.

## Political Crisis Escalates in Thailand

"Pro-Democracy" demonstrators in Bangkok are now camped out around Thai Prime Minister Thaksin Shinawatra's office, while Thaksin has announced he is prepared to implement a state of emergency. Somewhere between 30,000 and 60,000 people joined the demonstration on Tuesday, March 14, marching to Government House and declaring their intent to stay until Thaksin resigns. These "democrats" are boycotting the election called for April 2, knowing they will lose massively, and are openly pushing for a violent confrontation, intended to justify a move by the King to replace the Prime Minister. *The Nation*, owned by Dow Jones, again has turned its website into a minute-to-minute command center, declaring on the homepage that "this war could be the decisive one."

One opposition Senator said from the stage that Thaksin should face a firing squad. Another Senator led the protestors in a cult ritual, telling the crowd to place pictures of Thaksin under a woman's crotch and curse him three times.

Thaksin told reporters in northeastern Thailand, where he was campaigning among his supporters: "I am ready to sign to impose a state of emergency rule if necessary. Security ministers have agreed that they may need it to help them maintain order, but if it is not necessary, I will not do that. There has been violence in the past, and many of those people are in the protest today."

One of the protest leaders, Chamlong Srimuang, led a 1992 uprising against the military government, marching his "Dharma Army" cult followers into the military lines and setting fire to military vehicles, provoking an over-response from poorly trained troops, killing dozens and bringing the government down.

A state of emergency would allow authorities to detain suspects for up to 30 days without charge, search and arrest without warrants, and tap phones, among other powers.

## Philippines President Exceeded Emergency Powers

The Philippine Human Rights Commission found that President Gloria Macapagal Arroyo overstepped her emergency powers, the *Philippines Inquirer* reported March 14. Human Rights Commissioner Wilhelm Soriano said that Proclamation 1017, which gave Arroyo emergency powers on Feb. 24, lasting one week before she lifted it, "has no factual basis, because there was no lawless violence, rebellion, or invasion." He called for a review of the "factual basis" for its declaration.

In particular, the Commission said, the warrantless arrests and the raid on the *Tribune* newspaper would have been permitted only under martial law, which requires Congressional authorization. "As such, it [Arroyo's Emergency decree] cannot be used to justify acts that only under a valid declaration of martial law or suspension of the privilege of habeas corpus can be done," according to a former judge testifying before the Commission.

## This Week in American History

### March 21 — 27, 1934

## **President Franklin Roosevelt Signs the Philippines Independence Act**

On his 18th birthday in 1900, Groton Academy senior Franklin Roosevelt lost his first current-affairs debate when he argued that the Philippines, then under U.S. military government, should be given independence. Thirty-four years later, on March 24, 1934, President Roosevelt signed the Tydings-McDuffie Act, also referred to as the Philippines Independence Act, which provided for a Philippines Commonwealth Government that would be followed by complete independence in ten years.

It had been a long road for the Philippines to reach that point. The Philippine Islands had been under Spanish control since the second half of the 16th Century, but in the 1890s an independence movement had developed, led by Jose Rizal. When Rizal was executed by the Spanish in 1896, the movement was carried on by Emilio Aguinaldo, the leader of the Filipino military forces. During the Spanish-American War, Aguinaldo accepted aid from the United States, and when victories followed for Adm. George Dewey and Gen. Wesley Merritt, Aguinaldo declared a republic. But the U.S. treaty with Spain at the end of the war transferred the Philippines to the United States.

Aguinaldo then began military action against the American army, which subsided into guerrilla warfare after Aguinaldo was captured in 1901. The year before, President William McKinley had sent the Taft Commission to study conditions in the Philippines and to recommend improvements. William Howard Taft, the future American President, headed the commission, and was then named Governor-General of the Philippines. In 1909, Congress passed legislation which set up duty-free trade with the Philippines, but this left the Philippines very dependent on export of raw materials such as sugar, coconut oil, and abaca.

President Woodrow Wilson appointed Francis Burton Harrison as Governor-General, and he instituted a different policy. The Democrats favored moving toward independence for the Philippines, and so Harrison replaced American office holders with Filipinos, and encouraged infrastructure development. The U.S. Congress passed legislation which set up a Philippine legislature, almost all of whose members were elected by popular vote.

When the Republicans won the White House in 1920, this policy was reversed. Harrison was replaced by Gen. Leonard Wood, who suspended most development plans, moved Americans back into government positions, and installed semi-military rule. During the last days of President Herbert Hoover's Administration, however, the U.S. Congress passed the Hawes-Cutting Act of 1932, which provided for complete Philippine independence in 1945. President Hoover vetoed it, but Congress passed it over his veto.

When Franklin Roosevelt entered the Presidency, he replaced General Wood with Frank Murphy, the legendary Mayor of Detroit who had done everything in his power during the bleak days of the Depression to make sure that the city's residents stayed alive and well. But then, Roosevelt received word that on Oct. 17, 1933, the Philippine Legislature had rejected the Hawes-Cutting Act. Manuel Quezon, the leader of the Nationalist Party, opposed the act because of the threat of American tariffs against Philippine products, and also because there were provisions which left military bases in American hands.

President Roosevelt therefore sent a message to Congress on March 2, 1934, requesting that the Hawes-Cutting Act be amended. The message opened by saying that, "Over a third of a century ago, the United States, as a result of a war which had its origin in the Caribbean Sea, acquired sovereignty over the Philippine Islands, which lie many thousands of miles from our shores across the widest of oceans. Our Nation covets no territory; it desires to hold no people against their will over whom it has gained sovereignty through war.

"In keeping with the principles of justice and in keeping with our traditions and aims, our Government for many years has been committed by law to ultimate independence for the people of the Philippine Islands whenever they should establish a suitable Government capable of maintaining that independence among the Nations of the world. We believe that the time

for such independence is at hand.

"A law passed by the seventy-second Congress over a year ago was the initial step, providing the methods, conditions and circumstances under which our promise was to be fulfilled. That Act provided that the United States would retain the option of keeping certain military and naval bases in the Islands after actual independence had been accomplished.

"As to the military bases, I recommend that this provision be eliminated from the law and that these bases be relinquished simultaneously with the accomplishment of final Philippine independence.

"As to the naval bases, I recommend that the law be so amended as to provide for the ultimate settlement of this matter on terms satisfactory to our own Government and that of the Philippine Islands.

"I do not believe that other provisions of the original law need be changed at this time. Where imperfections or inequalities exist, I am confident that they can be corrected after proper hearing and in fairness to both peoples."

In this spirit of compromise, Congress passed the Tydings-McDuffie Act which was signed by Roosevelt on March 24, 1934. It was adopted by the Philippine Legislature on May 1, which also passed an act providing for the election of delegates to a Constitutional Convention. By Feb. 8, 1935, a Philippine Constitution had been adopted, and on March 23, 1935, President Roosevelt certified to Congress that the new Constitution conformed substantially with the provisions of the Tydings-McDuffie Act.

The new President of the Philippines, Manuel Quezon, was inaugurated on Nov. 15, and he visited Washington to attend a conference with the Interdepartmental Committee which Roosevelt had created to plan for preferential trade arrangements with the Philippines. Also on Nov. 15, in honor of the new commonwealth, the U.S. Post Office inaugurated the Trans-Pacific Sky Mail service from San Francisco to the Philippines.

But there were other, less joyful, events which ultimately concerned the Philippines and commanded Roosevelt's attention. Japan had embarked on a war of aggression, and it resented U.S. policy towards its conquest of Manchuria. President Hoover's Secretary of State, Henry L. Stimson, had developed the "Stimson Doctrine" which refused to recognize the Japanese conquests in Manchuria, and this doctrine was upheld by Roosevelt. In early 1933, the Japanese Army was sweeping toward the Great Wall of China, and by May, had reached a position just 13 miles from Peking.

During the early part of the 20th Century, Japan had been allied with Great Britain, and had developed plans for its navy to attack Hawaii and the Philippines. In the 1930s, these plans were still on the table, and they were mentioned in many Japanese magazines. In 1934, Naval Intelligence sent President Roosevelt a Japanese comic book which opened with an attack on Pearl Harbor and ended with a scene in the White House where the Japanese were dictating the terms of peace. Japan had been censured by the League of Nations for its action in Manchuria, but much of its resentment was focussed on the United States and the Stimson Doctrine.

In 1935, Gen. Douglas MacArthur's commission as Chief of the General Staff in Washington expired, after a one-year extension which Roosevelt had granted. In view of the situation in Asia, the President appointed MacArthur as head of the American military mission to the Philippines. MacArthur's father, Arthur MacArthur, had fought in the Philippines during the Spanish-American War and was briefly its governor during 1900-1901. Douglas MacArthur himself had served two Army tours of duty in the Philippines, one just after his graduation from West Point, and the other during 1922-1925 as commander of U.S. forces. Upon his arrival in the islands, he established a military training and defense plan, and, in 1936, became Field Marshall of the Philippine Army.

On Dec. 9, 1935, the University of Notre Dame sponsored a special convocation in honor of the new Commonwealth of the

Philippines, and awarded President Roosevelt an honorary degree. During his acceptance speech, Roosevelt stated that America had "chosen the right course with respect to the Philippine Islands. Through our power we have not sought more power. Through our power we have sought to benefit others."

The Republic of the Philippines declared its independence on July 4, 1946.

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