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Dr. Mahathir bin Mohamad Speaks Candidly with EIR
Ibero-Americans Tell U.S.: Resist Privatization
U.S. Infrastructure Fix Will Cost Trillions

**Italian Deputies Debate
LaRouche's Bretton Woods**



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Journal of Poetry, Science, and Statecraft

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Winter 2004

The Follies of the Economic Hitmen: Re-Animating the World's Economy

Lyndon H. LaRouche, Jr.

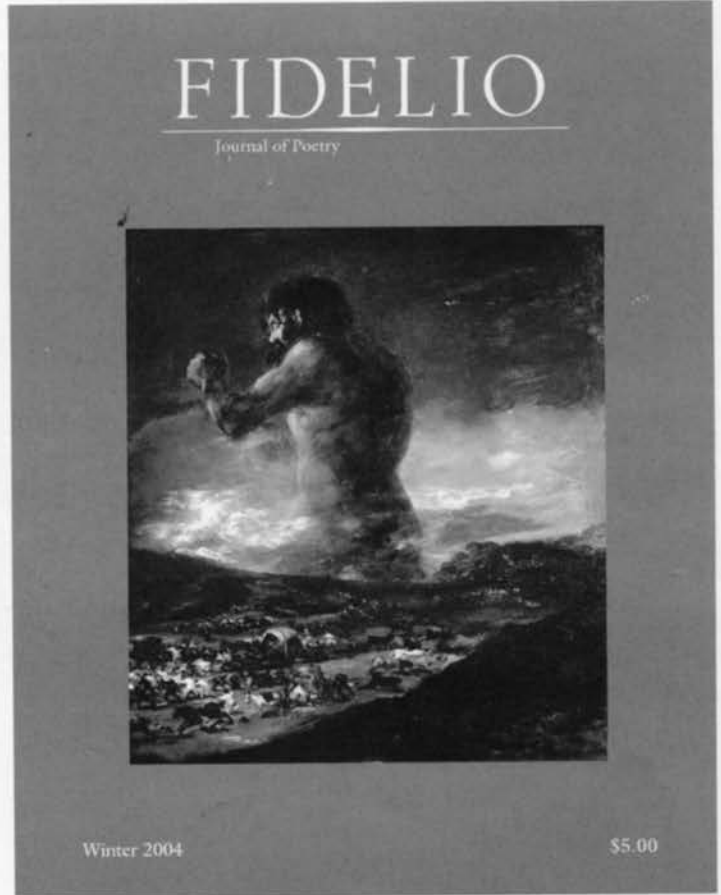
We must think of the abiotic, Biosphere, and Noösphere as physical capital, which we must build up, in the order of those relative priorities, to create the expanded preconditions for not only growing populations, but a higher standard of living, of higher productivity per capita and per square kilometer, of general development, and longevity of those populations. We must qualify ourselves, increasingly, to manage this Riemannian universe, as we were God's gardener.

Francisco Goya, the American Revolution, and the Fight Against The Synarchist Beast-Man

Karel Vereycken

Introduction to Pythagorean Sphaerics

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From the Editor

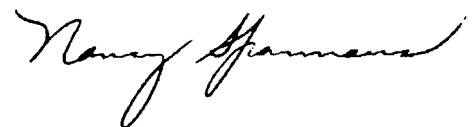
For those who may have doubted that economist and statesman Lyndon LaRouche is playing, and must play, *the* crucial role in bringing together an alternative to the current devolution of the world economy and strategic situation, this issue of *Executive Intelligence Review* should be an eye-opener. For what should be immediately clear, is that leading international political figures of good will, are turning to, and counting on, LaRouche and his political movement in this hour of extreme crisis.

Most dramatic is the debate in the Italian Chamber of Deputies on LaRouche's proposal for a New Bretton Woods monetary system, an event which should be a harbinger of such phenomena in capitals around the world. As you read these speeches, imagine such a truthful discussion about the real economic situation occurring in the U.S. House of Representatives, with Congressmen putting on the table the necessity for a shift from an economy based on the speculative markets, to one based on production. That is where we need to go, if we are to guarantee our future.

LaRouche's leadership in fighting the fascist policy of Social Security privatization was also *the* issue in the roundtable discussion which *EIR's* weekly Internet radio show, *The LaRouche Show*, aired on March 12. While Congressmen continue to be hesitant to bring into the U.S. Social Security debate, those who experienced the Pinochet fascist model which the Administration is touting, LaRouche's movement decided to pull together an event where those voices could be heard. We publish here the full edited transcript, with the specific intent of spurring our elected officials to take heed, and do likewise; and the documentation exposing the real Nazis who imposed the "Chile model."

Also exemplary of the role LaRouche and his publications are playing in the international arena, is our featured, exclusive interview with Dr. Mahathir bin Mohamad, former Prime Minister of Malaysia, who has a distinguished history of going up against the International Monetary Fund and the powers-that-be. *EIR* interviewed Dr. Mahathir previously back in 1999, when he was still in office. In this interview he gives our readers his views on a number of strategic topics, including LaRouche's New Bretton Woods.

All in all, a powerful issue for those determined to shift the United States out of the control of an insane President, and into leading a community of nations toward a new era of economic development and peace.



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LaRouche's New Bretton Woods Debated in Italian Parliament

by Paolo Raimondi

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

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

It Couldn't Be More Timely

If anything, Lettieri's motion is more crucial today than when he introduced it more than a year ago. Despite "official" statements about an economic recovery being underway, it is obvious even to the unschooled observer that the dollar-based financial system is currently blowing out. The question is not whether there will be a new financial architecture—which Lettieri's motion calls for—but what *kind* of architecture that will be: one along the lines LaRouche has outlined in the

tradition of FDR; or a globalized fascist dictatorship.

As the Italian parliamentarians were speaking, the dollar's value was crashing relative to currencies in Europe and Asia. Two days later, the U.S. government announced that the current account deficit for 2004 had hit a new high of \$665.9 billion, up by 25% over 2003. To cover this deficit, capital inflows to the U.S. in January had to amount to approximately \$4 billion *a day*. Reports are coming out daily about the "diversification" of assets being carried out by major dollar-holders, such as China, Korea, and Russia. And major global financial players are rushing into hard commodities, in anticipation of the inevitable dramatic crash ahead.

Nor was it simply the financial system that was in turmoil. On March 16, General Motors, the company once virtually synonymous with U.S. business, announced that its earnings for 2005 will be 80% below its prior forecast, its first quarter earnings will be negative, and its cash flow could be negative by \$4-5 billion. The rating agencies which have been keeping GM bonds just above the junk bond level, were widely expected to take that fateful step soon.

In this context, new warnings of a looming financial catastrophe come as no surprise. On March 6, Tony Dye, the City of London investor well known for his early and correct prediction of the Internet bubble crash, was quoted by the conservative *Sunday Telegraph* that the "wildly speculative" share-price bubble in oil and natural resources companies, is going to go the same way. "We've seen these cycles before over the years," Dye said, "and there won't be many people who make much money out of it."

The same day, the *Sunday Times* ran a feature: "Is private equity building up a Debt Bubble?" The private equity "industry," *The Times* wrote, is "the Jekyll and Hyde of finance."



As part of his campaign for a new, just world monetary system, Lyndon LaRouche keynoted a conference entitled “Toward a New Bretton Woods” in Rome on June 23, 2000. Shown here, in the “Sala del Cenacolo” of the Chamber of Deputies where the conference was held, left to right, are Claudio Celani, LaRouche, Paolo Raimondi, and Helga Zepp-LaRouche.

The Times quoted Mark Anson, chief investment officer of the \$175 billion California Public Employees Retirement System, saying that the biggest asset bubble that “I’m afraid of at the moment is private equity,” in a speech in Geneva last month. Like derivatives, private equity firms are an unregulated risk to the whole system.

A full-page feature in the City of London’s *Financial Times* March 14, reported that the high-yield debt markets were “bracing for a fall.” Another article said that the recent years’ “global credit boom” is about to come to an end, and bankruptcy firms are gathering around. The sharp rise in yields on 10-year U.S. Treasuries, about a half a percentage point the week before, was a warning shot, the *Financial Times* wrote.

Missing from all the warnings, of course, was the hint of a solution to the crisis. That was, however, on the agenda at the Italian Chamber of Deputies.

Italians Take the Lead

Mario Lettieri is a deputy of the Margherita party, a national organization formed by people who strongly identify with the social doctrine of the Catholic Church, and with the pro-labor, pro-dialogue and anti-war attitude of the Pope John Paul II. He represents the intellectual elite from the Mezzogiorno of Italy (he is originally from the Basilicata region, south of Naples) that has fought for emancipation and development out of the poverty of the Southern areas. As secretary

of the Finance Committee of the House, he has been on the front line in the fights against speculation, against the arrogance of the banking community, and at the same time to put Italy in alliance with the Third World countries for policies of cooperation and development.

The Margherita party strongly follows the tradition of Aldo Moro, the Italian statesman who was declared an enemy by Henry Kissinger, and later kidnapped and killed by the Red Brigades terrorists. Another very well-known Italian politician, Giulio Andreotti, is close to the Margherita, as is former European Commission president Romano Prodi, the leader of the left opposition coalition in the upcoming elections.

As reported below, Italian parliamentarians have been, over the past years, constantly in contact with the LaRouche movement, and have undertaken numerous official initiatives in support of the Bretton Woods campaign. The particular sensitivity of many Italian politicians to these economic

and development matters is surely a reflection of Pope John Paul II’s commitment to economic justice and to a new justworld economic order, as reflected in his support for a debt moratorium for the countries of the South during the Jubilee of the year 2000.

When Lettieri’s motion was introduced into the Parliament in February 2004, Italy was in the middle of the biggest corporate default in its history, that of Parmalat, a modern agro-industrial company turned into a financial scam, and an example of the systemic crisis involving almost the entire banking community beginning with the largest international banks like Bank of America and JP Morgan Chase. This collapse, together with the Argentinian bonds default, has affected over a million people and their families. Recently about 100.000 small and middle-sized industries have also been tricked into dirty financial derivatives games, which led to losses of more than \$6 billion, and a dramatic risk of bankruptcies and layoffs.

Lettieri has collaborated with this author, who is president of the Solidarity International Civil Rights Movement, LaRouche’s organization in Italy—first in the preparation of the motion, and now in its presentation for a general debate.

Similar motions have previously been presented in the Senate, the latest having been by Sen. Oskar Peterlini, from the party of the linguistic minorities (Autonomia), with the support of over 20 Senators, among them Giulio Andreotti. The open discussion in the House may stimulate the expan-

sion of the debate in the Senate as well in the near future.

On March 14, immediately after Lettieri, deputy Paola Mariani, from the Left Democrats (DS), the main opposition party led by Piero Fassino and Massimo D'Alema, and a member of the Committee on European Affairs, intervened in support of the motion, arguing in particular against the nefarious role of the International Monetary Fund in the developing sector, and in the Argentinian crisis in particular.

The same message was delivered by Deputy Sandro DelMastro Delle Vedove, from the conservative party Alleanza Nazionale, whose leader Gianfranco Fini is the present Italian Foreign Minister. DelMastro, member of the Culture and Transport Committees, raised the risks of the systemic crisis and the danger for the world economy represented by the collapse of the dollar of an America dominated by speculation and debts. Using *EIR* materials and analyses, he has been very active in the Parliament in the past months introducing a dozen official inquiries and interrogations to the Italian government on different subjects related to the financial collapse, including the International Monetary Fund role in the Argentinian default. DelMastro's endorsement of the motion proves the existence of a bipartisan attitude against the policies of the neoliberal free market philosophy and policies, which are spreading in all parts of the society.

The neo-liberal interests indeed have taken some action to neutralize the dramatic impact of Lettieri's motion. They got Deputy Antonio Leone, of Forza Italia, the party of premier Silvio Berlusconi, to introduce a second motion which generally recognizes the negative effects on the market of the various defaults, and generically invites the Italian government to continue in its "good work," and also the "action, already begun in the competent international centers, to further define agreements in the fields of international finance to protect the financial markets and the savers."

The idea behind Leone's move was to propose a unification of the two motions, in order to gut the main thrust of the Lettieri's initiative. Mario Lettieri rejected this trick, on the grounds that he wants the New Bretton Woods proposal against the systemic crisis to remain, also for the future, as an official document registered in the Parliamentary Acts, even if with only the support of a minority of the Parliament.

On March 17, Lettieri introduced a slightly modified text, with the endorsement of an additional deputy, to emphasize the dimension of the systemic crisis and its effects on the real economy and on employment.

As we are writing, the discussion on the motion has been put on hold, delayed on the official calendar by the discussion of other issues, principally that of Italian military participation in Iraq, a topic which always raises major emotional and political tension. The Acting President of the House has also announced that a meeting of the leaders of the political factions has agreed to schedule the continuation of the discussion on the motion at a later time, probably after the regional elections of April 3-4.

Mario Lettieri

Urgent Reasons for A New Bretton Woods

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

Mr. President, it is well known that last year was the anniversary of the founding of the Bretton Woods system, with which, in 1944, the global economic and financial structure was planned. Bretton Woods, despite certain monetarist conceptions, was first and foremost intended as a system for economic reconstruction, supported above all by the President of the United States, Franklin Delano Roosevelt.



Hon. Mario Lettieri

The goal was the development of the real economy of nations, which finance and credit were to support and promote. Unfortunately, this is not what happened, or at least, not what always happened: Large-scale international finance, after the death of Roosevelt, immediately began to undermine that spirit of growth that was intended not only to overcome colonialism, but also to defeat the misery and underdevelopment of the countries of the Third and Fourth Worlds.

The reality, unfortunately, is quite different; the data is dramatic, especially if we look at the countries of Africa and Asia: There are still wars, misery, disease, and death. I will spare you the numbers, which have been abundantly published both in the specialized press and in other media.

Stop the Collective Insanity

In 1971, Nixon decreed the end of the Bretton Woods system, and that opened the doors to large-scale speculation, and big financial bubbles. In recent years, people have reached the point of even believing that wealth is no longer produced by work, industry, agriculture, and the application of scientific and technological research to productive economic sectors, but rather by stock markets and finance. In my view, we are faced with a true case of collective insanity, which must be cured at the international level.

Today, reflection is beginning on this issue, and not only in our country. I am thinking, in the United States of America, of an important economist and Democratic politician, Lyndon

LaRouche, who has promoted an international campaign, called “For a New Bretton Woods: the alternative to the global financial crash—Large-scale Eurasian infrastructure projects.” A New Bretton Woods must therefore strive for a system that restarts development of the real economy of nations, and therefore reduces, especially, the delays in developing countries. To this end, the credit system is essential; it must supply long-term credit at low interest rates, to promote large-scale projects, infrastructure networks, and productive investment for research, education, and health care. This is the scenario in which the motion presented a year ago was conceived.

The Derivatives Bubble

However, one year later, not only do we find confirmation of what we had written and what I presented in my first intervention, but unfortunately, we must also observe that the systemic financial crisis is producing shocks on the markets in an increasingly significant and negative manner, with increasingly serious and uncontrollable consequences, at a level which clearly goes beyond that of Italy.

The gap between the real economy and the economy based on financial speculation is of an almost inconceivable magnitude. Along with the overall numbers, the exponential rate of growth of these values is a further source of concern. In the motion, we reference the official report of the Bank for International Settlements in Basel (the famous “Central Banks’ Bank”), entitled: “OTC (Over the Counter) Derivatives Market Activity in the First Half of 2003.” These are the contracts negotiated outside of the official markets, and thus not registered. Well, in this report from Nov. 12, 2003, the following notional values of OTC derivatives are reported, in billions of dollars: June 2002: \$127,500; December 2002: \$141,700; June 2003: \$169,700; that is, an increase of \$42 trillion in 12 months!

The most recent report available from the BIS, on derivatives at the end of December 2004, brings the total of contracts open at the end of June to over \$220,000 billion: an enormous, scary amount, which highlights an increase of \$50,000 billion more in 12 months!

It is definitely important to emphasize that, at the end of June 2001, according to the official BIS reports, OTC derivatives were \$100,000 billion. Thus, in three years, there has been an increase of \$120,000 billion, equal to three times world GDP!

Those who now speak of derivatives as simply operations for covering risk are certainly on the wrong track: Derivatives are the greatest risk for the entire financial system, and even in the Italian situation, which is limited, an investigation launched by the Finance Commission recently revealed that about 100,000 small and medium-sized enterprises have been victims of the resort to the derivatives market in recent years, not to mention certain local governmental institutions; but we will have time to discuss this when the Commission completes its investigative activity.

In April 2004, it was again the Bank for International Settlements which collected the data supplied by 52 central banks and published a three-year investigation by the Central Banks of the foreign exchange and derivatives markets. Here are the official results and variations over three years: The daily volume of foreign exchange markets increased by 57%, reaching a daily volume of \$1,800 billion; the daily volume of OTC financial transactions (which are not registered) increased by 112%, reaching a daily level of \$1,200 billion.

The leading market of course, is London, which is almost twice as large as the American market. The BIS declared that it was quite worried because the speculative funds, the so-called hedge funds, have an increasing importance in these operations, to the point that 43% of all contracts do not involve a bank, but rather a hedge fund or insurance company as one of the counterparties. And this is a worrying fact, since banks, although they can be criticized and need to be more transparent, do offer a minimum level of guarantees, unlike these funds.

Another report prepared by the BIS, on March 8, 2004, indicates that the overall turnover for 2003 reached \$874,000 billion, an increase of 26% over the previous year.

I realize, Mr. President, that hearing me speak about all of these thousands of billions of dollars has a certain effect; it probably leads to people not being fully conscious of the significance of these truly enormous amounts, but these are numbers on which all of us, and especially the monetary authorities and governments, should reflect.

Consider what has happened with certain large banks; for example, Morgan Chase alone, has increased its derivatives exposure by about \$10,000 billion, almost the size of U.S. GDP. The total value of derivatives exposure is thus larger than world GDP: We are faced with a situation in which, if there were crises that could lead to a crash, the situation would cause a global financial breakdown, with devastating effects on the economy, wealth, and life of many countries. Thus, we can see that the analyses I cited earlier are actually intended to mitigate the true danger, by indicating the net risk of all the operations as only \$804 billion.

There Is a Solution

In conclusion, without going any further in citing statistics which have all been reported in official documents of not only individual banks but also central banks, I believe that the spirit of the motion presented and signed by myself, as well as by about fifty colleagues from all the Parliamentary groups, is aimed at committing our government to act at the international level so that a new phase be initiated, a New Bretton Woods, so to say, that aims above all at relaunching economic growth and productive economic activity, defeating poverty in the countries still afflicted by it and guaranteeing economic stability to all countries; otherwise the “financialization” of the economy truly risks impoverishing nations and worsening living conditions, and obviously consigning the citizens of

Third World countries to a situation of further decline and abandonment.

Just think of the events which have dramatically affected about 1 million Italian small investors; I am referring to Parmalat, Cirio, Giacomelli, and the events that involved Banca 121 and the holders of Argentine bonds. The fact that a sovereign state such as Argentina registered a situation of bankruptcy says a lot about what is happening. How many other countries run this risk? This is a question that should disquiet and worry us. We are not a happy but isolated island, and Europe and the West must remedy the policy of speculation and speculative bubbles that are continuously repeated, and that certainly end up damaging the real economy.

Therefore, a New Bretton Woods cannot but begin with an operational meeting of the governments of the most advanced nations, not only those of the G-8, but it would be appropriate to also open the discussion to others. To this aim, I would mention that important countries such as China and India have appeared on the international scene in a pressing manner, and they will have something to say on this subject, as well as on trade matters.

Although the problem is that of reviewing the rules of the global market, tariffs are certainly not necessary. On this subject, I find it absurd that a Minister of this government is proposing the imposition of tariffs: This means that he is certainly out of this world. In a globalized economy such as the one we have today, tariffs are not necessary, but rather we need clear rules which bind nations and economic participants.

So, a New Bretton Woods should act to reorganize the entire system based on bankruptcy reorganization rules, in order to favor productive activities over speculative ones. This should include the introduction of rules regarding financial movements and controls on trade flows (on this matter, as I already said, we don't need tariffs, but rather rules of behavior). It should also include taxation of income deriving from purely financial operations. On this point, I remind you that the Finance Commission is discussing a series of proposals that aim to introduce a sort of Tobin tax. Taxation on purely financial operations is therefore a path which must be taken in order to limit and regulate the phenomenon. Finally, the reorganization should include a series of tax incentives for investment in production and technology, especially for medium- and long-term investments. A new banking and financial system must be created so the system favors development, not speculation. To achieve the convocation of a conference at the level of heads of state and government, similar to the one held in 1944, the Italian government must also act.

Wage War on Poverty

Today, unfortunately, war is still present in some parts of the world, and this constitutes a serious situation that contrasts with what is sanctioned by the Italian Constitution, which establishes that Italy rejects war. I do not intend to polemicize

over the presence of our military in Iraq; this was already discussed a short time ago, and thus I will spare you my considerations of strong opposition on this issue. At the time of Bretton Woods we were emerging from a war; today we have the duty to carry out, with just as much determination, another war: a war on poverty and misery, present in so many parts of the world, especially on the African continent and in Asia, in order to achieve a better coexistence between the peoples of the world and guarantee the right to an acceptable quality of life for everyone.

This is the sense of our motion. There is a risk of a systemic global crash of the financial sector, which could have effects much worse than those which took place following the Depression of 1929-33. I believe that there is no time to be lost, and I hope that the motion under consideration, which has also been signed by colleagues belonging to political groups in the Parliamentary majority, does not find us divided—these are not ideological questions!—but rather united in committing the government to moving in the direction indicated, conscious that that is the right direction!

Paola Mariani

It's Time for a New Financial Structure

Deputy Mariani, of the Left Democrats, followed Lettieri, speaking in favor of the motion. Her speech is translated here from Italian.

Mr. President, the recent financial crashes (Parmalat, Finmatica, Enron, the Argentine bonds), the echoes of which are still reverberating today, are indicative of the fact that we are faced with a crisis of the international financial system, characterized by strongly speculative tendencies.

For this reason, it is necessary to institute, at the international level, a series of mechanisms capable of guaranteeing the correct functioning of the economic and financial system through greater controls and more guarantees, to protect the interests of all participants in the economy.

I am referring to the necessity of mechanisms of protection at the international level, considering the fact that, with



Paola Mariani

the internationalization of financial markets and economic globalization, which allow for the immediate movement of capital and information from one part of the world to another, it has become impossible for a single nation, and even for Europe as a whole, to guarantee adequate controls and supervise the application of the rules that must be the foundation of a free financial system.

A \$400 Trillion Financial Bubble

The current system is a financial system directed towards pure speculation, such that the entire international financial bubble amounts to about \$400 trillion, compared to world GDP of little more than \$40 trillion. In order to have an open, free, and global financial system, it is urgent to establish, through the relevant international venues, a new financial architecture able to make up for the limits of the current system, based on the International Monetary Fund and the World Bank.

These institutions were fine when they were established, as the Honorable Lettieri reminded us a short time ago, in 1944 at Bretton Woods, in a postwar situation, where the priority was assistance for reconstruction of the countries devastated by the war, and monetary stability was based on a strong anchor of all currencies to the dollar. As the financial crises of recent years have demonstrated, today this system protects neither the industrialized countries nor the developing countries.

It must be said that the monetarist policies of the International Monetary Fund towards developing countries—such as Argentina—have in the past been directly responsible for the worsening of the financial situation of those countries, to the point of provoking bankruptcy, since the IMF imposed the payment of high levels of interest, along with cuts in both the budget and productive investment, which seriously damaged the real Domestic Product of those nations. In fact, the crash in Argentina can not simply be attributed to domestic corruption, but rather is mostly the result of the policies of the International Monetary Fund, that, instead of supporting true participation in the country's development, introduced monetarist mechanisms which favored various forms of corruption.

At this point, I would like to recall what has been said and written by Joseph Stiglitz, an American economist who was a White House advisor to Clinton, Vice President of the World Bank from 1997 to 2002, and won the Nobel Prize for economics in 2001; he wrote a book that caused a scandal: *Globalization and Its Discontents*. In the book, the author seems to take on the role of spokesman for the original intent of the World Bank, expressed clearly in the words that dominate the entrance to the Bank itself: "Our dream is a world free of poverty." This saying, though, contrasts with the motto of the International Monetary Fund: "What's good for Wall Street is good for the world," which updates Charles Wilson's famous saying about the interests of General Motors and those of the United States.

'Market Fundamentalism'

Stiglitz's book, in fact, is a denunciation of the collusion between the institutions of the Washington consensus and the financial community. His judgment regarding the institutions which arose from Bretton Woods, and in particular, the International Monetary Fund, is very clear: those institutions had the task of stabilizing the markets and correcting their failures, yet they then became, according to Stiglitz, examples of what he defines as market fundamentalism. All of the weakness of this economic system was revealed by the Enron case, which served as a wake-up call by demonstrating that the markets are not self-regulated, but need Governments; just as the deregulation the International Monetary Fund applies to the whole world can not work.

The event which unleashed his criticism of the International Monetary Fund's operations was surely the suspension of the Fund's assistance program for Ethiopia, a country whose economic parameters were in order, and which left no room for touches of doubt or uncertainties in judgment regarding the economic conduct to be followed. So it was considered seriously problematic that certain global organizations, in addition to making serious economic errors, such as the closure of banks in Southeast Asia, also have the problem of giving prevalence to the interests of creditors and the Western financial community.

This is, therefore, the first time that such in-depth criticism of the International Monetary Fund has come from a man inside the institutions, like Stiglitz. Although it may have gone beyond anyone's expectations, the criticism received vast support from both the World Bank and the academic community, and even from members of the financial community who were actually denounced in the book, because these people appreciated what was written there.

The wide consensus gained by many of the issues raised lets us hope that the current situation can change, but there is still a long way to go to achieve globalization with a human face; that is, a globalization of democracy, human rights, civil society, and knowledge, that represents a stimulus for cultural diversity, as has happened for the countries of East Asia, which are turning globalization to their advantage.

Only by overcoming the numerous errors committed by the International Monetary Fund, and also the World Trade Organization, will we be able to carry out collective action and achieve a basic democratic orientation at the international level, which are the necessary conditions for globalization, but are incompatible with current American unilateralism. Stiglitz's vision is, basically, optimistic; he has faith in the power of democracy, discussion, and transparency, and he believes that a solution can be found in as much as the International Monetary Fund and globalization are subjected to democratic verification, reflecting heightened public interest, greater protest, and pressure for change from a population that has opened its eyes towards what globalization really represents, and now intends to make its voice heard.

Stiglitz's reflections can make us open our eyes about what is being valued in the world.

Supporting the Real Economy

Coming back to the motion presented by the Honorable Lettieri, we can say that the time has therefore come to create a new financial structure, at the international level, which can avoid future financial crashes and the repetition of speculative bubbles, and is capable of supporting the real economy with adequate guarantees and controls.

Therefore, a new international conference should be convoked, as the motion says, similar to the one held in 1944 at Bretton Woods, for the establishment of a new international monetary system that is more fair and just, and includes all economies, including the weakest ones.

For this reason, we ask the Government to commit itself to acting with this goal in the relevant international venues.

Sandro Delmastro della Vedove

Now Let Us Create A More Just Economy

Deputy Delmastro della Vedove, from the government party Alleanza Nazionale, spoke in favor of the motion at the end of the first debate session. His speech has been translated from Italian.

Mr. President, Honorable colleagues: It is my view that the issue we are discussing today—in a discouraging climate of disinterest—is the single most important issue that has been discussed in the Chamber of Deputies since the beginning of the 14th Legislature.

The task is to attempt, together, to construct—or reconstruct, considering that someone succeeded in this effort in 1944—a new financial, economic, and monetary structure that can protect our planet, which has suddenly become too small not to suffer the repercussions of a global economy whose parts are completely interdependent, from massive and uncontrollable disasters. As the paradigmatic case of the Argentina crisis demonstrates, the default of any Nation now violently affects many other Nations, causing disasters, misery, and



Sandro Delmastro della Vedove

poverty, which are now partially controllable, but certainly impossible to deal with in the near future, in terms of their dimensions and intensity, if someone and something does not intervene to change the current model of development.

The question, therefore, is so radical that it forces me to intervene in a personal capacity, without involving my party, Alleanza Nazionale, which may have legitimately different ideas and opinions on these delicate and difficult questions.

We need to recognize, without appealing to now old and obsolete ideological patterns, that the myth according to which the free market has developed and carried out self-regulation, able to create a fair and caring system, and also provide just profits for capital which is circulated and invested, has miserably failed, especially in the past decade. We have seen the true face of uncontrolled speculation and the financialization of the economy created for the immense wealth of the few, and the shocking poverty of many. We have allowed a few hundred people to govern the world's economic and financial processes, supposing that they would create a trustworthy system.

After having recognized that these few hundred people were not elected by anybody, and thus are not part of any democratic process, and consequently, cannot be controlled, we realized that these people have actually turned speculation into a system, creating enormous virtual wealth that is actually nonexistent. Wealth destined to become real only for the small number of participants in the "good salons" of the International Monetary Fund and Central Banks, and destined, on the other hand, to lead to poverty for millions of companies, investors, and workers.

The events surrounding the Argentine Tango Bonds are the mathematical and emblematic proof of this situation; therefore, an absolutely unavoidable necessity exists to create a new world financial and monetary order, or with the evocative words that are increasingly used now, a New Bretton Woods, which reminds us of an agreement which, in the post-war period, represented a balanced system characterized by specific and responsible rules.

In the Grip of Financial Collapse

Today the global economic and financial situation is about to collapse, and unlike what people generally believe, the United States of America is in the grip of a very serious and worrying situation, which goes beyond the Presidential rhetoric, be it expressed by a Democratic or a Republican President. The truth, in fact, is that the United States of America has to deal with a trade deficit and budget deficit which are literally frightening, and as a consequence, the United States no longer has the power which the world thinks it wields through the monetary and financial system.

Given the lack of rules, the lack of an orderly system, the lack of a far-ranging perspective linked to programs for the real—not virtual—economy, it was inevitable that the system would end up in the less than caring hands of speculation;

speculation which invents wealth from nothing, and produces wealth that continues to be nothing, except for the select few, all of whom belong to the global Satanic sect constituted by the obscene agreements between the banking system, the International Monetary Fund, and the Central Banks. In short, these are the forces that the great poet of the Cantos, Ezra Pound, characterized as the “global usurocracy” decades ago. So, we see that when there is a lack of real economy, inevitably we end up with the fraudulent and criminal economy of financial products.

Under the pressure of interest rates reduced to minimum levels, banking assets have recently shown an increase in appetite for risk, which has produced a senseless and harmful rush towards financial leverage, both in terms of loans and the utilization of new financial instruments.

The sad story of the LTCM fund in 1998, which included the presence—although minor—of an Italian financier coddled at the highest level of politics, does not seem to have taught us anything; not even that the international banking system can be threatened by the recklessness of a single hedge fund, the new structure that, according to the Feb. 16, 2005 issue of the very authoritative *Financial Times*, constitutes “. . . the crack cocaine of the global financial system . . .” and that, together with financial derivatives (\$84 trillion just in the banks of the United States, according to the latest estimates of the U.S. Office of the Comptroller of the Currency), risks provoking a lethal short-circuit in the global economy.

Virtual Economy Out of Control

There is a virtual economy which is out of control, and which, having been developed based on fraud and thin air, can not stop, but must necessarily support itself by producing virtual wealth, in a perverse cycle that exists precisely because of the lack of clear regulations, to the point that the famous child in the fable says, with childlike sincerity, that “the emperor has no clothes,” thus provoking a disaster compared to which the memory of 1929 may even be considered laughable.

This is the source of the necessity and urgency for a new global order, which will preserve freedom of enterprise and economic freedom, but guarantee iron-clad rules to prevent speculation, the illegitimate and “bastard” child of the financialization of the economy, and return to the promotion of the real and productive economy. I am referring to the economy which produces real, solid wealth, and creates jobs. This is why our considerations today deserve the highest level of publicity in the media. In fact, even those who address these issues, as we do today, have the unpleasant sensation of being on the deck of the Titanic, with the unpleasant sensation—unlike the irresponsible and boisterous bliss of those who dance to the music of the band—of being conscious of the iceberg that is so terribly close, if the ship does not decidedly change course.

It is necessary, Mr. President and Honorable colleagues,

that the institutions and mass media participate in informing public opinion with a spirit of truth; on this point, however, there is a deafening and cowardly silence, as we saw with the question of the Argentine default. We are eyewitnesses, in fact, to the complacent silence of the press and political authorities regarding the true responsibility for the South American disaster, which can be exclusively attributed to the concurrent actions of the International Monetary Fund and the international and national banking systems. Employing a useful diversion, the media and Governments swallowed the simplistic theory that is intended to unleash a terrible and senseless war among the poor: small investors on the one side, and the Argentine Government on the other. This is a false problem, which hides the real responsibility for the situation.

How can we ignore the responsibility of the International Monetary Fund, the literally usurious creditor that, unlike the 450,000 Italian small investors, continues to demand capital and interest from Argentina, in defiance of the principle—to use a term from the bankruptcy section of our legal system—of *par condicio creditorum*? When all signs clearly indicated that the South American country could not pay, the International Monetary Fund, as the President of Argentina, Nestor Kirchner, has said repeatedly, offered loans that only exacerbated the problem of indebtedness, without avoiding the implosion which then took place. This is the classic behavior found in every criminal investigation relative to usury, that the needy debtor suffers at the hands of the unscrupulous person who has consciously decided to wring all of the resources out of the debtor, and abandon him to his sad fate.

It is no surprise that Nestor Kirchner, on Feb. 27, 2004, met with the President of Brazil, Lula Da Silva, to attempt to forge a united position on the South American continent, in order to effectively defend against the demands of the International Monetary Fund. Nevertheless, there is also a deafening and scandalous silence regarding the national and international banking systems. Until recently, the Italian small investor (not the professional investor) did not even know what bonds were. The banks, all of a sudden, gave these people precious advice as to why they shouldn’t miss the opportunity of shifting their investments towards Argentine bonds. The yields were high, and—the bank representatives said—there was no risk to speak of, because the bonds were like our BOT [Italian Treasury bonds]: In order for there to be a problem, Argentina would have to go into bankruptcy, a simply absurd hypothesis.

Well, the hypothesis became reality. Yes, despite that glaring negligence, no one tells the small investors what has to be done. Many Italian courts have already ordered the banks to reimburse the small investors because they negligently violated the duties of disclosure that financial promoters have to follow. Yet, a few days ago, the Italian Ministry of Economics and Finance, on request of the Consob [an agency similar to the U.S. Securities and Exchange Commission] imposed sanctions on ten Italian banks, precisely for the shameful

methods with which they sold Argentine and other types of bonds.

At the Limit of a Moral Collapse

Useless! The decision was made that whenever possible, the role of the “bad guy” must be assigned exclusively to the Government of Argentina, that has to decide whether to increase the percentage of the refund offered to investors, and thus starve more than half its citizens, or accept that hateful role assigned to it, and thus continue to pay capital and interest to the usurer.

This, my colleagues, is what it means to tolerate a world in which financial, monetary, and thus economic processes are developed without rules! This, Honorable colleagues, is the position of a Representative of the Center-Right coalition who firmly believes in freedom of enterprise and the market, and who, nevertheless, does not intend to ignore the necessity for new rules and regulations. Let the speculators be satisfied; they have already “filled up,” stealing from the pockets of small investors and workers. They are already fortunate, because our society, at the limit of a moral collapse, does not throw them into prison.

Now, let’s discuss this together: it’s time to create an economy which is more just, solid, fair and caring. Let’s make this effort. It’s worth it, for us and for our children.

Breakthrough in Italy

Seven-Year Fight for A New Bretton Woods

The Italian Parliament’s current discussion of the need for a new global “financial architecture,” is the fruit of seven years of organizing—in Italy, and internationally—by the LaRouche movement.

The fight began on Jan. 4, 1997, with the first major, public announcement of Lyndon H. LaRouche Jr.’s New Bretton Woods policy. LaRouche addressed a forum of the FDR-PAC in Washington, D.C. laying out a policy orientation for the second Clinton Administration, centering around two proposals: that the U.S. President convene an international conference to establish a “new Bretton Woods system,” to put the world economy through bankruptcy proceedings and to reorganize it for productive development; and that the United States join in global projects of benefit to all mankind, with a special focus on the Eurasian Land-Bridge program.

The challenge was immediately taken up in Italy, where

Sen. Publio Fiori, leader of the opposition party National Alliance (Alleanza Nazionale, AN) and former Transport Minister, on Feb. 13, 1997, introduced a parliamentary question to the government, asking whether, in view of the ongoing disintegration of the international monetary and financial system, Italy should undertake emergency measures, such as a New Bretton Woods conference and a tax on derivatives speculation.

The following chronology traces some of the LaRouche movement’s key interventions, and the steps taken by elected representatives in Italy, that brought about the historic result that now must be replicated in other countries.

Feb. 15, 1997: LaRouche delivers keynote address to a conference of the Schiller Institute and International Caucus of Labor Committees in Reston, Virginia, titled “Toward a New Bretton Woods Conference.” He calls for the audience to forge the preconditions to enable President Clinton to convene, with other heads of state of leading nations, a New Bretton Woods conference to create a new, stable, global monetary system to replace the bankrupt International Monetary Fund system.

Feb. 15-17, 1997: An “Urgent Appeal to President Clinton To Convoke a New Bretton Woods Conference” is initiated by the founder of the Schiller Institute, Helga Zepp-LaRouche, and Ukrainian economist Natalia Vitrenko, member of the Supreme Rada (Parliament) of Ukraine. In subsequent months, the text is circulated worldwide for endorsement by public figures.

April 10, 1997: Lyndon and Helga LaRouche are the keynote speakers at a conference organized in Rome by *EIR* and LaRouche’s Italian co-thinkers, the Civil Rights-Solidarity Movement. LaRouche’s proposal for a New Bretton Woods is supported by Senator Fiori, as well as by representatives of Italy’s state-sector industries.

April 2, 1998: Lyndon and Helga LaRouche address a meeting in Rome on the New Bretton Woods. The briefing is attended by Members of Parliament (both the Chamber of Deputies and the Senate), economists, journalists, and diplomats.

April 7, 1998: Italian Prime Minister Romano Prodi says, in answer to a question from *EIR*, “I personally believe that we must move toward a New Bretton Woods.”

March 11, 1999: Helga Zepp-LaRouche addresses a Rome conference, sponsored by *EIR* and the Civil Rights-Solidarity Movement, on the need for Italy to join the “Survivors’ Club” and work to establish a New Bretton Woods and to build the Eurasian Land-Bridge.

Feb. 9, 2000: Italian Deputies Michele Rallo (AN) and Alberto Simeone (AN) ask the Italian government to comment on the necessity of a New Bretton Woods.

Feb. 16, 2000: Italian Sen. Riccardo Pedrizzi and 22 other Senators from the opposition parties of the “Polo della Libertà” coalition, introduce a first motion to the Senate, calling

for a New Bretton Woods. Similar resolutions are presented later to the City Councils of Milan and Rome, and to the Regional Council of the Lombardy region.

Feb. 16, 2000: Italian Member of the European Parliament Cristiana Muscardini (AN) presents a parliamentary inquiry on the New Bretton Woods, from the European Parliament to the European Commission.

March 7, 2000: Four Italian Members of the European Parliament in Strasbourg introduce a resolution calling for a New Bretton Woods conference, “with the purpose of creating a new international monetary system, capable of gradually eliminating the mechanisms which led to the ‘speculative bubble.’ ”

April 7, 2000: A call for an Ad Hoc Committee for a New Bretton Woods is issued, and circulated worldwide for endorsement. The statement includes the text of the European Parliament resolution, with the following introduction:

“The governments of the G-7 nations have repeatedly demonstrated their unwillingness and inability to prevent the threatened collapse of the global financial system, through a prompt, and thorough reorganization of the system. This renders it urgently necessary that all those who recognize the devastating consequences of a systemic financial crisis, raise their voices.

“We, the signators, refer to Lyndon LaRouche, as the economist, worldwide, who has analyzed the causes of the systemic crisis in greatest depth, and over the longest time, and who, at the same time, has elaborated a comprehensive package of measures to be taken to overcome it: the anti-crisis program for a New Bretton Woods.”

Over the coming year, the statement is signed by former President José López Portillo of Mexico, former President João Baptista Figueiredo of Brazil, over 500 parliamentarians from over 40 countries, and several hundred civil rights leaders, trade unionists, industrialists, and representatives of social organizations.

July 23, 2000: Lyndon LaRouche speaks on the New Bretton Woods in the Cenacolo Room of the Italian Chamber of Deputies in Rome. The invitation was extended by Hon. Giovanni Bianchi (Partito Popolare Italiano) who has been the promoter of a legal decree, later approved unanimously by both Chambers of the Parliament, for a debt moratorium for the developing countries.

Oct. 7-9, 2000: Lyndon and Helga LaRouche visit Ascoli Piceno, Italy, for public and private meetings.

Oct. 12, 2000: Lyndon LaRouche addresses an informal hearing of the Foreign Affairs Committee of the Italian Parliament (Chamber of Deputies) in Rome, on the subject of “the reform of the Bretton Woods system, the present oil crisis, and the roots of inflation.”

Oct. 19, 2000: Italian Sen. Riccardo Pedrizzi and 24 other Senators of several parties, both of the opposition and of the government coalition, present a second motion to the Senate, calling for a New Bretton Woods. The next day, the same

motion is presented to the Interparliamentarian Group for the Jubilee 2000, the main organizer of the Assembly of the Members of the Parliaments of the World, held in Rome on Nov. 4-5.

Nov. 4, 2000: The Italian Catholic daily *Avvenire* publishes an article, titled “25 Senators of the Opposition Say: We Need a New Bretton Woods.”

Feb. 26, 2002: Nine Italian Senators introduce a motion calling for a New Bretton Woods conference, citing the crisis in Argentina in particular: “The monetarist policy of the IMF toward the so-called developing countries such as Argentina has been directly responsible for the worsening of the situation in those countries, to the point of bankruptcy, forcing the payment of high interest rates and cuts in spending and productive investment which have seriously affected the domestic output of the real economy of those nations.” The Senators aim to get 50 signers for the motion, and to get the same motion introduced into the lower house, the Chamber of Deputies.

July 2, 2002: Sen. Riccardo Pedrizzi, president of the Senate Finance Committee and member of the government coalition party National Alliance (AN), issues a statement calling for a New Bretton Woods conference. Facing a “global crisis,” he says there is only one answer: “To organize at the international level the necessary forces for a reform of the global monetary and financial system, a New Bretton Woods, determined by the governments that can, through continental great projects of economic development, relaunch the world productive economy, and renew dialogue, peaceful cooperation, and employment.”

By now, more than 100 members of both chambers of Parliament have signed the resolution first presented by Senator Pedrizzi on Oct. 19, 2000.

July 3-5, 2002: Lyndon LaRouche visits Italy, speaking at three events promoted by the Italy-Russia Chamber of Commerce, the Chamber of Commerce of Vicenza, and the Milan-based Association for the Development of Banking and the Stock Market Studies.

Sept. 25, 2002: Italian Chamber of Deputies votes demanding a new international monetary system.

May 13, 2003: Following a public conference with Lyndon LaRouche in Rome in April, Sen. Oskar Peterlini presents a new motion calling on the Italian government to work for an international conference for a new financial and monetary system. The motion is signed by numerous prominent Senators, including former seven-time Prime Minister Giulio Andreotti and Left Democrats leader Cesare Salvi.

Feb. 13, 2004: Hon. Lettieri presents a motion in the Chamber of Deputies on the heels of the Parmalat financial disaster, calling for a new international financial architecture. A similar motion is presented in the Senate shortly thereafter, again by Sen. Peterlini, and also in the European Parliament by Hon. Cristiana Muscardini. The motions are not brought to a floor debate.

Infrastructure Fix To Cost Trillions

by Mary Jane Freeman

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

ASCE president William Henry chided the "patch and pray" approach to infrastructure failures, saying that the "time has come to call for the creation of a long-term infrastructure agenda for our nation." With water main bursts, sewer overflows, dam failures, and Americans stuck in traffic 3.5 billion hours each year, "our infrastructure is sliding toward failure," he said. Joining Henry were the mayor of Akron, Ohio, Donald Plusquellic, in his capacity as president of the U.S. Conference of Mayors, and Seattle Mayor Greg Nickels, head of the Conference of Mayors' transportation committee.

Mayor Plusquellic did not mince his words: Instead of "drinking the kool-aid of tax cuts" and buying the "ideological crap of some guy named Grover" (as in Norquist), we "need a strong partnership with the Federal government." It used to work, he said, and insisted it is better to "fix a problem a year too early, than a day too late," referring to the deadly consequences of not tending to failing bridges and the like. Plusquellic said he was incredulous that the Bush budget zeros out Amtrak, and intends the "virtual elimination" of the community development block grants, both vital to cities.

Seattle Mayor Nickels said "America must learn to compete in the world," a world in which others are "planning for the future." If you want to get a product from Akron to Seattle in 24 hours, you'd be hard pressed to do it, because "we don't have the infrastructure to do it." Nickels asked, if your child or legislator told you their grades went from D to D-, "but gee, it could have been worse," wouldn't you know that something had to change?

All three speakers insisted that "political will" is critical. Right now, Henry lamented, the "prospect for any real improvement is grim." Plusquellic gave political will an "F," arguing the Federal government used to provide matching dollars to state and local governments to get projects done. "The dollars were used to leverage public and private investment." "Cutting taxes" and "borrowing for wars," he said,



The aging Rockefeller Road Bridge, Cleveland, Ohio, is one of many decaying bridges over the rail corridor.

will not make us secure at home. Nickels added that both Democrats and Republicans want to foster infrastructure investment.

Dollars which are spent to shore up and expand infrastructure create jobs and lay the foundation for future economic growth. ASCE estimates that spending \$1.6 trillion over five years on infrastructure will generate at least 5 million jobs. The ASCE Report Card is a "good starting point" as Plusquellic said.

However, the *EIR* economics team puts the real costs of upgrading and launching a 21st-Century economy and infrastructure, upon which our children and future generations can depend, at closer to \$8-9 trillion, factoring in areas not addressed by ASCE.

Failing Grades

The ASCE surveyed 12 categories in 2001, and added three new ones this year—public parks and recreation, rail, and security. Of the original 12, conditions worsened in roads, drinking water, transit, wastewater, hazardous waste, navigable waterways, and energy. Conditions improved slightly in aviation and schools, and remained the same for bridges, dams, and solid waste. A summary for each state and the District of Columbia is provided. Here are a few Report Card highlights; the rest can be viewed at the ASCE website, www.asce.org.

Drinking Water and Wastewater: From D, down to D-. Every day, 6 billion gallons of clean, treated drinking water is wasted, mostly because of old, leaky pipes and water mains. That's enough water to serve the population of a state the size of California. Yet, federal funding in 2005 was \$850 million, or less than 10% of the total national need. Aging wastewater systems discharge billions of gallons of untreated sewage into America's surface waters each year. EPA puts the 20-year investment need for wastewater systems at \$390 billion.

Locks and Dams: From D+, to D-. Nearly 50% of Feder-

ally operated inland waterways locks are functionally obsolete, and by 2020 this figure will increase to 80%. The number of non-Federal “unsafe dams has risen 33% to more than 3,500” since 1998. ASCE estimates that \$10.1 billion is needed over 12 years to repair, renovate, or remove all non-Federal “critical” dams, that pose a risk to human life should they fail. State dam safety officials put the cost at \$36 billion. Yet, Bush’s 2006 budget calls for zero funds to operate these dams, and cuts the Army Corps of Engineers’ budget affecting Federal dam maintenance.

Schools: From D–, to D. There is no national picture of the state of schools; however, various states report the need for billions of dollars in repairs, renovation, and new construction. A national estimate to bring schools into good condition ranges from \$127 billion to \$268 billion.

Roads: From D+ to D. Poor road conditions cost motorists \$54 billion a year in repairs and operating costs. Americans spend 3.5 billion hours a year stuck in traffic, at a cost of \$63 billion a year to the economy. In California, for example, 60% of the state’s major urban roads are congested, and 71% of the major roads are in poor or mediocre condition. Yet, the state transferred \$3.1 billion from its transportation trust fund

to the general fund, jeopardizing maintenance.

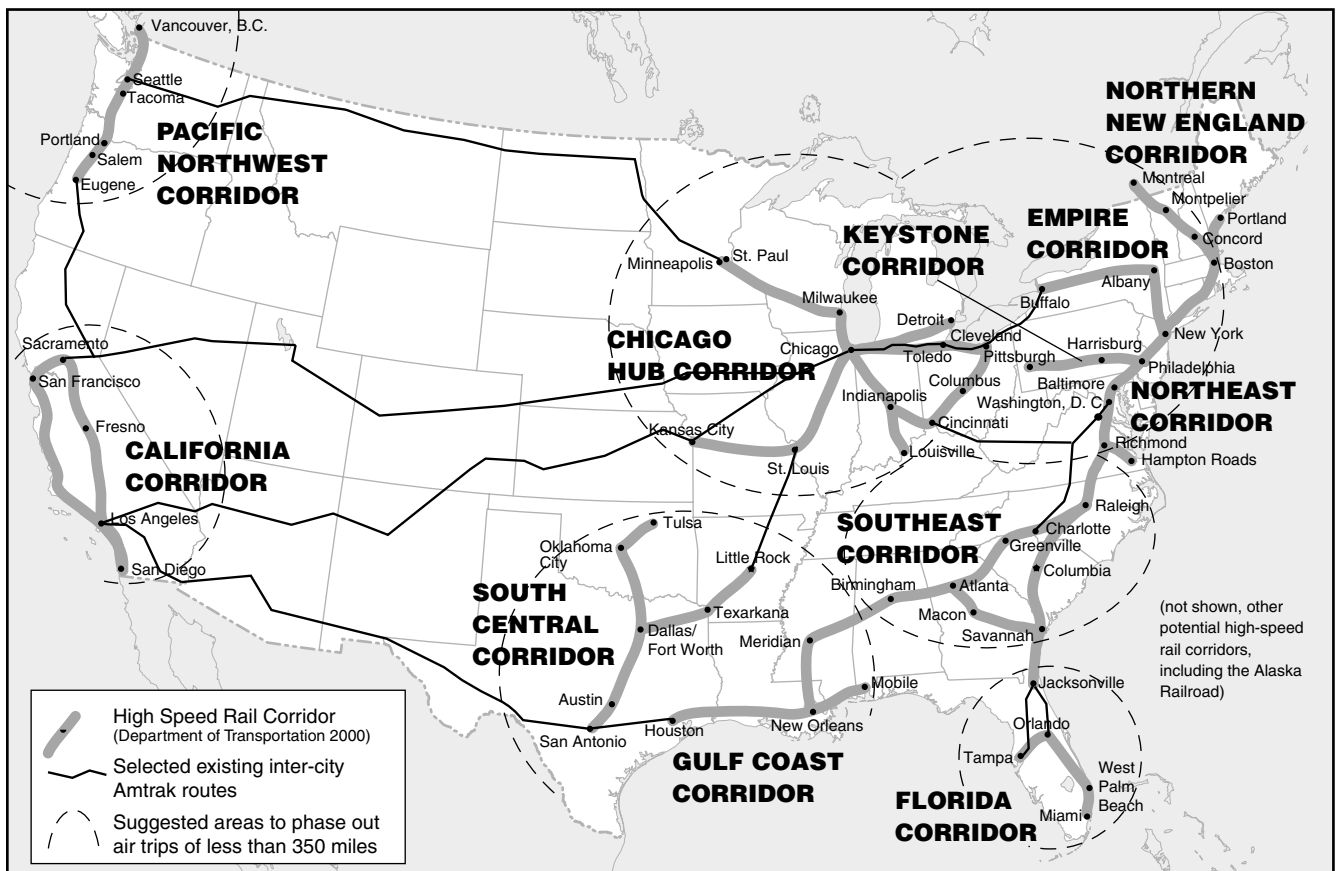
Bridges: Remains at C. Improvement in elimination of structurally deficient or obsolete bridges was slight; 28.5% of bridges were deficient between 2000 and 2003, and 27.1% were in 2005. Despite this, one in four urban U.S. bridges is deficient, and many are closed to heavy vehicles such as fire trucks and school buses. To eliminate all deficient bridges requires \$9.4 billion, a year, for 20 years.

TABLE 1
Rising Poverty in Industrial Cities

City	% Poverty			
	1970	1980	1990	2003
Cleveland	17.1	22.1	28.7	31.2
Detroit	14.7	21.9	32.4	30.1
Philadelphia	15.1	20.6	20.3	22.3
Buffalo	14.8	20.7	25.6	26.5
St. Louis	19.9	21.8	24.6	24.6
Cincinnati	17.1	19.7	24.3	21.1

Source: U.S. Census Bureau, American Community Surveys.

FIGURE 1
United States: High-Speed Rail Corridor Designations



Public Transit: From C-, to D+. Ridership continues to grow, yet funding for maintenance and expansion lags behind. About 14 million people ride public transit daily—bus, light rail, and so on—with another 25 million using public transit regularly, but not daily. Total capital spending was at \$12.3 billion in 2003, yet estimates are that \$20.6 billion is required yearly to bring transit systems to a condition of “good.”

Infrastructure Must Be a Science Driver

At the ASCE event, a reporter asked who’s to blame, Bush or Clinton. Henry replied, “this situation is a result of decades of neglect” and failure of “political stewardship.” *EIR* refocused the discussion: “There was a 2004 Presidential candidate who did put rebuilding infrastructure on the table, and that was LaRouche. This is not a partisan issue. George Washington built canals. Abraham Lincoln built a national railway. FDR built our power infrastructure and dams. JFK’s space program gave a boost to aviation.”

Lyndon LaRouche, it was pointed out, has insisted on the crucial role of infrastructure to the economy and attacked the key impediments to necessary investment—balanced budgets, deregulation, and free trade. “We’ve been saving tax money, by destroying basic economic infrastructure in mass transportation, power generation, and distribution,” LaRouche said. “We say, we can’t afford it. . . . Therefore we’re going to save money! . . . We’re going to make things better by cutting tax expenditure, as Bush is doing. [But what we’ve done is] let our dams, water and power systems, schools, health-care systems, and everything else which is essential to life, collapse. . . . This is nuts! It’s insane!”

The speakers at the ASCE event worried that the “big dollars” involved would frighten policy makers, especially in the fiscal conservatives’ “curb-government-spending” climate which permeates Capitol Hill. But adherence to the axioms of free trade, globalization, and deregulation have transformed our producer-economy into a parasitical consumer-economy. We’ve cannibalized the infrastructure wealth created for us by the human and governmental resources, and applied scientific creativity, marshalled by President Franklin D. Roosevelt.

The slashing of physical-goods production and outsourcing of our manufacturing jobs is a key reason that the decaying infrastructure has not yet totally failed as we lessened the economic throughput. This wrong-headed policy direction also destroyed our formerly productive workforce. Poverty has dramatically risen in our industrial heartland **See Table 1**. Both ASCE Report Cards show that such cannibalization is reaching an end-point.

To reverse the economic malaise, evidenced by trade, current account, and budget deficits, we must launch a long-term economic recovery and invest in our most precious resource, our citizens.

What’s required is a series of crash science-driver programs to accelerate scientific discovery and technological

change as the motor force to fix what’s broken, and to leapfrog expansion of the economy for the future. Adopting this policy intention of progress redefines spending priorities. We would fully fund Amtrak, upgrade the track, and launch the development of the high-speed rail corridors. **See Figure 1**. Funding infrastructure development secures the productive powers of labor, 10, 20, 30 years ahead. To do this we must issue low-interest Federal credit through a Hamiltonian national banking system, to fund great infrastructure projects.

As LaRouche said: “We have to give people a vision of the physical reality . . . to give them a sense, that they have the right—not the opportunity, but the right—to that kind of [capital investment] policy.”

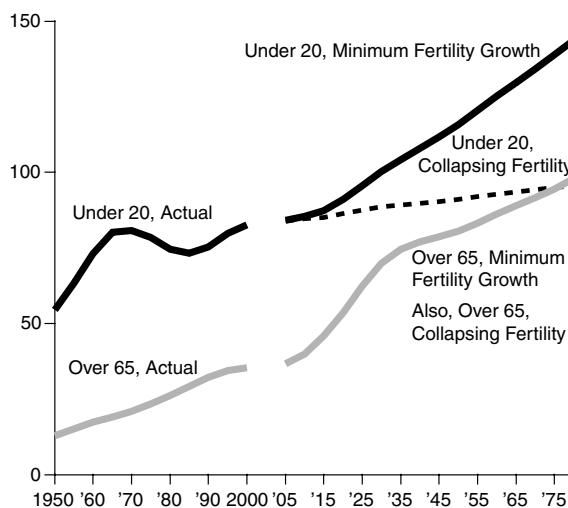
Correction

We print here a corrected graph that appeared in last week’s issue, in the article “Change the Assumptions to Growth, and Social Security Is in Find Shape,” on p. 28. The breaks in the graph lines distinguish between actual population and various projections. The Social Security Administration’s projection of collapsing fertility of those under age 20 conflicts with the forecasts of the U.S. Census Bureau, and builds into the model the conclusion that the number of people over 65 will overtake the number under 20, creating a crisis for Social Security.

FIGURE 9

Relationship Between Under-20 and Over-65 Population Depending on Fertility Assumption

(Millions of People)



Source: U.S. Social Security Administration, Office of Actuary; *EIR*.

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Dr. Mahathir bin Mohamad Speaks Candidly with EIR

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

EIR: Your Excellency, thank you for this opportunity to interview you. You said this morning, at the University of Cairo, correctly and dramatically, that the U.S. dollar is bankrupt. The U.S. is heavily indebted and the dollar continues to decline in value. I know that you have proposed that Saudi Arabia, for example, should shift its dollar holdings into the gold dinar; you've also proposed that other countries shift their reserves into the euro or yen, which, in large part, is happening, particularly among Asian nations. But the problem is, if that happens, it will only accelerate the collapse of the dollar, and, since the dollar is the fundamental currency of the world monetary system, the entire system would come down, in a systemic collapse. It's happening anyway. So the question is: what to do to reform the system. I know that at the Boao forum in April, in China, you recommended a "concerted global effort, as they did at Bretton Woods," to create a new, just monetary system, backed by gold, a special trading currency, and fixed exchange rates to prevent speculation. I think you are well aware of the fact that Lyndon LaRouche, who is the founder and editor of our magazine, has been campaigning for a New Bretton Woods for many years, a return to fixed exchange rates, a gold-reserve-backed currency system, and, of course, credits for development issued by national banks. What are your views on this idea, since you have voiced similar views, and how do you think we can go from here to there?

Dr. Mahathir: In view of the international financial regime, it is long overdue. As you know, what we have up to now, is not what we had at Bretton Woods. At Bretton Woods, the decision was to fix exchange rates, to value the dollar according to a certain quantity of gold. An ounce of gold would be

worth I think \$38 or something. Under Nixon, they went off the gold standard, and from then on, the U.S. currency has had no backing. And now, because it owes the world more than \$7 trillion, it is a nation in debt. It is a nation that has, actually, no money, and exists on the basis of loans from other countries, and the acceptance of the U.S. dollar as a trading currency. So we need to sit down and discuss these things in order to resolve and formulate a new international exchange regime that is more stable. Probably, based on gold again; but it may be some other formulation. But the need to sit down and discuss it is very important.

EIR: Before the U.S. election, you issued an "Open Letter to American Muslims." Can you explain what your intention was, and what the reception was to this open letter?

Dr. Mahathir: The idea is to use Muslim capacities in America, to balance the influence of other voting blocs, including the Jewish voting bloc. What is important, of course, is to show that Muslim votes can influence the elections. To me there was no difference between Bush and Kerry—they are both the same—but by showing that their votes can affect the choice of the President, then, in the future, they will be much more effective. But, unfortunately, they were looking into the policies of the two candidates and they did not like the policies of Kerry, and therefore they actually voted for Bush. There was a split in their vote, so their vote carried no weight. The idea was not so much to determine the policies, but to show the strength of the Muslim vote, to counter the strength of other votes in America. This, the Muslims in America don't understand.

EIR: You have repeatedly stated, even before the Iraq war, that terrorism would be made worse, not better, by the invasion of Iraq. Now this has proven to be the case. What do you see now as the best solution to get the U.S. out of this quagmire and to restore the sovereignty, national independence, and

territorial integrity of Iraq?

Dr. Mahathir: The U.S. should focus on rights and wrongs and not be so tied to Israeli policies, to the extent that, even when the Israelis committed crimes, the U.S. would still back them. You know, Bush calls Sharon a “man of peace”—this is the man responsible for the massacres of Sabra and Chatilla—it shows that Bush has got no idea at all, how to evaluate a leadership. And because of the refusal to understand that, there is a reason for this terrorism. It’s not just terrorism for the sake of terrorism. The terrorism is because of some dissatisfaction. So, if the Middle East situation is to be resolved, we will have to look to the basic causes of the instability in the region, and if we can remove the basic causes, then we can solve the problem.

EIR: And how would you define these basic causes?

Dr. Mahathir: To me, one of the most important causes is, of course, Palestine. What has happened is that, the territory of the Palestinians has been taken away from them. They have been expelled from their country. Their property has been expropriated, and because of that, they naturally want to regain their land. They are fighting for their land. It is not a Muslim-Jew confrontation; it is purely territorial. But of course people of the same region tend to sympathize with the Palestinians, and it is not only Muslims; Christians feel the same.

EIR: In this context, how do you see the current situation? As you yourself said—and you were denounced for having said it—the U.S. Administration lied, and the Iraq war was based on lies. We have documented how this policy of lying goes back to the philosophy of one Leo Strauss, who was the mentor of the people we call the “Children of Satan” in the U.S. So, this is a conscious policy of the “ignoble lie.” Now, even some Senators in the U.S. Congress have declared openly that the war was based on lies. What do you think the international community should do, to deal with the fact that the government of the most powerful nation on Earth is making policy on the basis of lies?

Dr. Mahathir: The international community must keep on insisting that what the U.S. has done is morally wrong, because it was based on lies, and it has not solved any problems. In fact, it has aggravated the problems. If people keep quiet, if the Europeans keep quiet, because they want to heal the rift between Europe and America, then lies will dominate policy in the future. And here we know that even Britain is involved in lying. Britain knows very well there are no weapons of mass destruction [in Iraq]. None of the evidence that has been put before the British government confirmed that there were weapons of mass destruction. But British Prime Minister Tony Blair decided to ignore the information that he received, and to base his support of Bush on lies. So today we see two great countries lying to the whole world and not feeling ashamed of it, and, unfortunately, they are even being re-



Former Malaysian Prime Minister Dr. Mahathir bin Mohamad spoke with EIR’s Muriel Mirak-Weissbach in Cairo on March 10, in a discussion ranging from the need for a New Bretton Woods, to U.S. foreign policy, to the requirements for Eurasian infrastructure development.

ected by their people—which shows that their people are either ignorant, or else that they choose to forget the lies and actually believe in lying, as the justification for doing what is wrong.

EIR: We are in fact being confronted with new lies, propagated to provoke new wars. I am referring to the tragic murder of former Lebanese Prime Minister Rafik Hariri, which was immediately, and without evidence, blamed on Syria. Now Syria and Lebanon are being targetted, according to a scenario drafted in 1996 by the U.S. neo-cons, called “Clean Break,” which called for overthrowing the governments in the region, beginning with Iraq, then Syria, then Lebanon, and Iran. How do you think Lebanon will deal with this crisis?

Dr. Mahathir: Well, for the Lebanese, I think it is of course legitimate for them to have foreign troops, even if they are friendly foreign troops, out of the country. It is right for Syria to withdraw its troops. On the other hand, the Lebanese must know that they have been forced into this trap by other forces which are trying to find a case for attacking Syria. And by murdering Hariri they have created that atmosphere in which people thought that it was the Syrians who were after Hariri. Killing a leader, assassination, is an old game for some countries. We know that in Panama, for example, [Omar] Torrijos



Israeli Prime Minister Ariel Sharon and President Bush, April 2004. "The U.S. should focus on rights and wrongs," said Dr. Mahathir, "and not be so tied to Israeli policies, to the extent that, even when the Israelis committed crimes, the U.S. would still back them."

up another institution may not change the effect. What is needed, is for the powerful countries to stick to their pledges. They must accept that, on international matters, the UN must decide, not any power. When a power decides to take unilateral action, then the whole idea of a global democracy, in which all countries have the same rights, would collapse. And that will bring about chaos, as we see today.

EIR: You also said in that UN speech, in September 2003, that the International Monetary Fund, World Bank, and World Trade Organization had become "instruments of hegemony to impoverish the poor and enrich the rich." You are indeed famous for having successfully stood against IMF policy following the 1997-98 crisis, yet the IMF "conditionalities" continue to be imposed around the world. What is your

advice to other nations?

Dr. Mahathir: The international monetary regime must be studied and revised, so as to be fair to all countries. And if we have any institution at all, like the World Bank or the IMF, it should not be placed under one powerful country, which is why these two institutions have failed to function fairly and properly. They are under the United States, they are basically instruments of the United States. They are not international instruments at all.

EIR: We see the danger that Israeli Prime Minister Ariel Sharon, though talking about peace, may be actually preparing for new wars, against Syria and Iran.

Dr. Mahathir: Recent actions to partially withdraw from the Gaza strip and all that: There is seemingly a kind of slow-down in all these activities, but I believe that the Palestinians will still demand to have their lands back, to have their people back in the country where they were forced out. And when that demand comes, again there will be trouble between the Palestinians and the Israelis. But the Israelis are really not giving up either Palestine or the land that they have settled on, or allowing Palestinians to go back to their own land.

EIR: You stated in your final speech to the United Nations, that the UN was "collapsing on its feet of clay, helpless to protect the weak and the poor," in the aftermath of the preemptive war by the U.S., Britain, and Australia. What can be done to restore the United Nations, or to create a new, more effective, international organization?

Dr. Mahathir: Unfortunately, we only have the UN. Setting

advice to other nations?

Dr. Mahathir: The international monetary regime must be studied and revised, so as to be fair to all countries. And if we have any institution at all, like the World Bank or the IMF, it should not be placed under one powerful country, which is why these two institutions have failed to function fairly and properly. They are under the United States, they are basically instruments of the United States. They are not international instruments at all.

EIR: You have strongly recommended rail development, rather than a dependence on roads, as the basis for connecting Asia internally, and for linking up through central Asia to Europe. LaRouche has proposed such multiple Atlantic-Pacific Land-Bridge connections as the physical economic foundation for a New World Economic Order. Recently, German Chancellor Gerhard Schröder met with leaders of several Arab Gulf countries, who expressed their interest in German technology—even the maglev technology—for a rail network in their region. Could you expand on your views on this matter?

Dr. Mahathir: There are four means of transportation in these modern times: We have road transportation, then we have rail transportation, then we have air transport, then we have transport by sea. Of all these means of transportation, transportation by sea is the cheapest and the most efficient. Unfortunately there are many countries which are landbound; Central Asian countries are landbound. Their only resort is not road transportation, not air transportation, which is very expensive, but railway transportation. And I believe, with new technologies, not so much the speed, but the capacity of



Asked about Lyndon LaRouche's concept of the Eurasian Land-Bridge and the potentials for maglev development, Dr. Mahathir underlined the importance of rail transportation, as the most cost-effective mode of transport for land-locked countries, such as Central Asia. Here: Malaysian Railways.

railways can be enhanced. We can visualize, for example, a railway, a train that is two kilometers long, running on very wide gauge, which can carry huge quantities of goods, very cheaply. That will make the Central Asian Republics much more accessible both for the transportation of goods into their countries, and for the transportation of their products into other countries. That will lower the cost of living and bring these countries into the whole world economic community. That is why I suggested the railway. The second, after shipping—maritime transport—the cheapest is actually the railway.

EIR: The emergence of China, with the fastest rate of growth in the world, has forced attention to the importance of raw material allocations globally. LaRouche suggested in his “50 year plan” that a new equitable distribution of raw materials, together with a technological revolution to expand extraction capabilities, in addition to expanding the range of materials deemed to be of value, is essential for a true global peace, uniting East and West. Could you comment?

Dr. Mahathir: The world has now accepted that in the case of the environment, what happens in one country impacts on other countries, and on the rest of the world. That is why there is the Kyoto protocol, where everybody has to submit to a certain regulation or regime that will ensure that the world environment is not damaged. Similarly, in the case of the exploitation of resources, we know now that the extraction of resources is going now very, very fast, and we may exhaust many resources in a very short space of time. There is a need for us to study the use of resources, extraction of resources, substitutes, etc. And that we can preserve our resources for as long as possible, and we can actually give value to the people with these resources, so that they can benefit: Central Asian countries can become richer, and some of the African coun-

tries can also become richer, because they get good value for their resources. At the same time, their resources will be preserved over a long period of time by regulating the usage of these resources and finding substitutes for these resources.

EIR: What about nuclear energy?

Dr. Mahathir: Well, the technology is not really matured, so much so that we can have accidents with nuclear energy. My worry is that, while we can use nuclear energy and maybe even ensure its safety, we have a problem of the waste from nuclear energy. And sometimes it is so difficult to get rid of the waste, without polluting the environment; so that aspect of nuclear energy—how do you render the waste harmless—needs careful research, and only when we have found how to stop the pollution from nuclear waste, then we should think about using nuclear energy. Until then, you have to resort to other sources of energy, especially renewable sources, and there are many renewable sources, which are not being utilized at the moment.

EIR: LaRouche has proposed that a worldwide agreement be reached, based on the Treaty of Westphalia concept; that is, that each side be committed to the advantage of the other, and that all wrongs committed in war, be forgotten and forgiven. This would be the foundation of a new world economic order based on the common interests of all cultures. What are your thoughts?

Dr. Mahathir: Well, this is certainly something that needs to be studied. As you know, the European Union is only possible because of the willingness of France and Germany to make up and forget the past. In the East, we find it difficult to get the Japanese, the Koreans, and the Chinese to forget the past, and because of that they still distrust each other. We need to overcome that distrust, we need to overcome the idea of

revenge—“because you killed my people, I must kill your people” kind of mentality. But this, of course, is not so easily done. People feel strongly about this. Nevertheless, I think the concept of *Wetsphalia* needs to be studied, to find out whether there are ways of applying the principle behind it in the present, very disturbed world situation.

Egyptians, Under Attack, Look to Malaysian Example

by Muriel Mirak-Weissbach

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

Dr. Mahathir had been invited to the Cairo University, by the Center for Asian Studies and the Institute for Malaysian Studies, which set up a forum in 2003, dedicated to “The Thought of Mahathir Mohamad,” whose purpose is to explain and promote the Malaysian model, especially for Arab and Islamic nations. As Prof. Mohammad Seyyed Selim, former director of the Center for Asian Studies, explained in his introductory remarks, the aim of the forum is to understand, not glorify, the Malaysian experience. The promoting institutes have thus far produced ten volumes of Dr. Mahathir's works in Arabic. The themes addressed by the forum this year, were the former prime minister's views on development, globalization, multi-ethnicity, and the Muslim community.

Dr. Mahathir was greeted with enormous enthusiasm by an overflow crowd of about a thousand students, who rose to give him extended applause. The reason for his extraordinary popularity has to do with his having resisted the International Monetary Fund at the time of the currency crisis, as well as his outspoken commitment to the Palestinian cause. In addition, as one journalist at a press conference following the seminar noted, Dr. Mahathir became famous during his last visit to Cairo, for a remark he made, when asked why he had resigned his post. “Twenty-two years are enough,” was his reply. This had brought the house down, since, in most nations of the Arab world, longevity in office is a time-honored tradition.

In his remarks to the students, and faculty members, Dr. Mahathir dealt with Malaysia's domestic and foreign policy, stressing the primacy of expanded economic growth. Polemicizing against facile slogans about equal distribution of wealth, he made the point that this is meaningless, unless the economic pie is growing constantly; that way, each slice can be bigger, even to the point of becoming bigger than the original pie.

Referring to his nation's experience, he reported that Malaysia, which had high unemployment, now has full employment, and that those living in poverty represent only 5% of the population (1% are in the category of extreme poverty). The relationship between government and the citizenry he characterized as reciprocal: The government must help the people prosper, and the people must help the government do this. He said that, since governments require financial means, the population must become richer in order to provide tax revenues. Again polemicizing against populist slogans, such as “cutting taxes,” he argued that taxation is required in order to finance vital social services, and that the key to adequate tax revenues is full employment. He also developed the notion that, if a nation is to ensure that each generation become more advanced, with a higher standard of living than the previous one, it must recognize the importance of expenditures for education, saying that Malaysia had allocated up to 25% of its budget for education, as compared to 6-8% for defense.

Another key point made in his speech, was that economic prosperity is the precondition for national independence and true sovereignty. A small country, Malaysia had to move from an agricultural economy to industrialization, and has succeeded to the point that it can maintain itself, pay its debts, and thus resist international pressures. When the Malaysian currency was attacked, he said, it was considered an attempt at neocolonialism, because it could have led to impoverishment, and the loss of national independence. The IMF could have forced loans and conditions on the country, paving the way for foreign takeovers, at bargain prices. This is the reason Malaysia had to resist the IMF, he said. He attacked globalization more generally, as a new form of colonialism, making the historical comparison: In the past, colonial powers came in warships and demanded monopolies; today, they spread globalization, in a “borderless” world. When they say “the market,” they mean their banks.

If a country achieves economic growth, it can pursue an independent foreign policy, he asserted, adding that his country would support the United Nations as an institution, but would not participate in adventures launched under the cover of the UN, by single powers.

Although Malaysia is a multi-ethnic, multi-religious society, the role of Islam is central, and Dr. Mahathir has been known for his proposal for a golden dinar, as a trading currency among an Islamic common market. One important, timely point made in this connection, was about the role of Islam. Expressing pride in the fact that Malaysia had proven

that any Islamic country can achieve such growth rates, he criticized the shift in Islamic history, away from a commitment to science, to a more limited religious approach. That commitment to science, and to all branches of knowledge more generally, had been the landmark of the Islamic renaissance, from the early period in Baghdad, across North Africa and into Islamic Spain, or Andalusia, through the 15th Century. Just at the point when European culture was launching its golden renaissance, Dr. Mahathir said, Islamic civilization was turning in a different direction. The notion that Islam “is sufficient,” that is, that religious teaching alone suffices for social progress, was an error, he said. This led to a degeneration of the civilization, at a time when Europe, in large part reaping the achievements of Islamic culture, was generating immense progress. Thus, there is an urgent need to return to this heritage of science and technology.

EIR Message to Egypt: U.S. Revolution Is On

by Muriel Mirak-Weissbach

Fear is gripping the Arab world.

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

The implications of the “Clean Break” doctrine have become known in the region, after the widespread coverage in the Arabic media of *EIR*’s exposé, immediately after Hariri’s murder (see *EIR*, Feb. 25, 2005). Press from the Persian Gulf, as well as media from Lebanon and Syria, and numerous websites, carried the story of the neo-conservatives’ regional war policy and the identification of the lobby inside America, the U.S. Committee for a Free Lebanon, which is in a mad rush for war.

The immediate fear, therefore, is that the Lebanon-Syria crisis will explode into a new war. As U.S.-backed elements in the opposition refuse calls for national unity by the Lebanese majority, and insist on acceptance of their non-negotiable demands (for total Syrian withdrawal, expulsion of Lebanese intelligence officials, and an international investigation into the Hariri case) as a condition for political participation, the

specter of social conflict, and possible civil war, looms on the horizon. Other scenarios being debated, include a possible military coup in Syria, and an Israeli military attack leading to war against Syria. All agree that next on the list, after Syria, would be Iran.

Egypt Targetted

The maniacal crusading fervor which President Bush has been exhibiting since the outbreak of the Lebanese crisis, has sent the message that the White House neo-cons are “on a roll,” propelled by the momentum of what they call the wave of democratization, and committed to igniting the region with “democracy.” The most alarming example for Egyptians, is what is happening in their own nation. President Hosni Mubarak is, it appears, also on the target list for regime change. “Why in the world should the U.S. destabilize Egypt?” one political figure asked. “Egypt is the U.S.’s best ally in the Arab world. Mubarak has been doing everything to promote a revival of Palestinian-Israeli peace talks. Why target him?”

Why, indeed? Anyone seeking a rational answer must be disappointed. Yet, there is no doubt that Egypt is being pressured. On March 8, Bush laid out his guidelines for elections: “Like all free elections, these require freedom of assembly, multiple candidates, free access by those candidates to the media, and the right to form political parties.” In response, Egyptian Foreign Minister Abu Gheit made clear that in the “so-called democratic endeavor, the pace will be set by Egypt and the Egyptian people, and only the Egyptian people. The Egyptian people will not accept what we call trusteeship.”

He went on to make the point: “I think Egypt is a lighthouse for the Middle East. The need for Egypt to be a friend of the United States is something I’m sure people in Washington value very much. We are not subject to any kind of pressure.”

Abu Gheit also called Bush’s bluff regarding the wave of democratization that Bush, in his address to the National Defense University, said was sweeping the Middle East. “What model are we talking about in Iraq?” Abu Gheit asked. “Bombs are exploding everywhere, and Iraqis are killed every day in the streets. Palestinian elections?” he commented to the *Washington Post*. “There were elections seven years prior.” As for Lebanon, Abu Gheit warned the United States not to believe that it could manipulate the process so easily. Pointing to the huge Hezbollah rally days earlier, he said: “There are other trends in society. Maybe things will get better, but we see what we see.”

U.S. demands for “free and fair elections” for the Egyptian Presidency, have led Mubarak to propose a change in the Constitution, so as to allow multiple party candidacies. One opposition group, led by two-term parliamentarian Ayman Nour, has set up a new party called Al-Ghad (“Tomorrow”), which is widely rumored to be an American-funded and piloted operation. This, some sources said, is Bush’s tool to bring down Mubarak. Nour was accused of having submitted petitions for his party that contained falsified signatures. The

Interior Ministry's Anti-Forgery Department said: "An investigation into the political practices of MP Ayman Nour showed that, in an attempt to gain a legal license for his party, Nour had fabricated and forged the signatures of as many as 1,187 citizens. Nour forged these signatures," the report said, "to provide the Political Parties Committee with what it needed to legalize his party."

In a rather hasty, and clumsily organized operation, the authorities moved overnight to lift Nour's parliamentary immunity, and to arrest him on Jan. 29. After six weeks in jail, he was released on bail.

Nour's profile and program fit the description of a U.S.-funded and backed "democracy" operation. He has called for curtailing the President's powers, and limiting the President to two terms in office. According to the Egyptian newspaper *Al-Ahram*, his party promotes a "free market economy, respect for the rule of law, good governance, women's empowerment, freedom of expression, secularism, an open relationship with the West and the United States, and a vibrant multi-party system."

Nour also has an American connection—or more than one. Just 48 hours before he was arrested, Nour met former U.S. Secretary of State Madeleine Albright, who was leading a Congressional task force on democracy. Nour and members of the Ibn Khaldoun Development Center, headed by pro-democracy advocate Saadeddin Ibrahim, were invited to the meetings. Nour also met with U.S. Ambassador to Egypt David Welch.

The United States did not hesitate to respond to Nour's arrest. Richard Boucher, spokesman for the U.S. State Department, said the arrest of "one of Egypt's most prominent opposition leaders" raised questions about Egyptian democracy. The person who has raised the banner of Nour's cause most vociferously, is Secretary of State Condoleezza Rice, who repeatedly demanded his release. Saying that she hoped "the issue is resolved soon," she cancelled her trip to Egypt in protest against his incarceration.

Egyptian press have raised the question of foreign interference, after the news that \$1 million was being given to six non-governmental organizations in the country. In February, President Mubarak accused unnamed foreign agencies of allocating \$70 million in funding for local pro-democracy advocates.

No one could reject the suggestion that greater participation in the political process in Egypt were desirable. However, any such process of reform must come, as Abu Gheit said, from within; outside interference will only lead to destabilization. And, given the role that Egypt continues to play strategically in the region, it would be inviting disaster to force regime change in Cairo.

The Good News from America

In this climate of fear and near despair, an insight into what is really happening in the United States—into the fight

being waged by a patriotic coalition of forces against Bush—is crucial. This author had the opportunity to present such a picture, during a seminar on March 12, organized by the Center for Political Research and Studies of the Faculty of Economic and Political Science of Cairo University. The three-day seminar was dedicated to the Middle East situation, with special emphasis on the Palestinian-Israeli conflict. Prof. Mohammad Seyyed Selim, of the Center for Asian Studies, presented a detailed historical analysis of the causes of the failure of the peace process.

This author had been asked to address the issue of how to change Washington's policy in the region. The speech laid out, first, the nature of current U.S. foreign policy for the region, as outlined in the "Clean Break" doctrine. The series of events triggered by the assassination of Hariri, was then analyzed from the standpoint of an intended implementation of that doctrine.

Counterposed to this, was a presentation of what a true peace policy would look like, as developed in Lyndon LaRouche's peace doctrine for Southwest Asia: U.S. commitment to a security arrangement among the leading nations of the region (Egypt, Turkey, Syria, and Iran), within which context, a withdrawal of U.S. and other troops from Iraq could be organized; and U.S. commitment to a two-state solution for Israel and Palestine, based on a cooperative economic development program, in the spirit of the Peace of Westphalia.

How such a happy perspective could become reality, was the question on the minds of the audience of students, professors, diplomats, and press. Nothing short of a revolution in American politics could bring this about. This was the main message communicated: that, especially since Nov. 2, a revolution is being organized, under the leadership of LaRouche in the Democratic Party, but, increasingly, drawing in bipartisan support from Republicans. The historic developments around the fight against voter suppression, culminating in the Dec. 13 Electoral College meeting, and the Jan. 6 joint session of Congress, where the legitimacy of the vote was challenged, had not hitherto been made known to the Egyptian public. Once a perspective had been laid out, showing how this revolutionary process can lead to a political defeat of the Bush Administration—especially around the Social Security privatization battle—and to rendering Bush a lame duck, the mood of the assembly changed visibly. As the seminar moderator noted, this was "the good news from America," which brought a whiff of welcome optimism into the debate.

In private discussions with representatives of government, military, and press circles, this author experienced the same phenomenon: Once the reality of the political process inside the United States is grasped, the deep pessimism, which hangs like a dark cloud over the mind, can be lifted. Then, the possibility of effecting a fundamental change in U.S. foreign policy as well, becomes comprehensible. In this light, peace, not eternal war, again seems within reach—and worth fighting for.

Institutional Revolt Weakens Blair

by Mary Burdman

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

In the aftermath, seasoned observers of British politics are saying that for the first time in since mid-2003, Blair is seriously weakened, as he faces the national elections, tentatively scheduled for May 5. Although it is not likely that Labour would lose, the party could return with a much-reduced majority, down from the 167 it won in 2001. If just 50 Labour MPs lose their seats to opposition Tories or Liberal Democrats, Blair's majority would fall to below 70. Given the narrow margins by which Labour has won critical votes in past months, the government would be vulnerable, going into a very tumultuous period.

An Unpopular War

In Britain, the Iraq war is *very* unpopular, across all party lines. It is notable that when Italian Prime Minister Silvio Berlusconi announced March 15 that Italy would start pulling troops out of Iraq in six months, he added that he had spoken of constructing a "precise exit strategy" with Tony Blair. British troops are having to expand their operations, as more and more nations pull their forces out of Iraq. The majority of Labour voters hate Blair's alignment with the neo-con government of George W. Bush: "There is no way that Tony Blair could take Britain behind Bush into any kind of attack on Iran," senior sources have been telling *EIR* since the second Bush inauguration. Were Blair to do that, despite the lack of effective opposition in Britain, Blair would be out, the sources say.

Another source said that the "Blair-Bush axis—except with regard to Iraq—is beginning to cool. From Blair's selfish political point of view, Bush is *not* an asset."

Looming over everything, is the financial crisis. Every week there are new warnings in the British establishment financial press, about the dangers posed by the huge debt bubbles. Britain's entire economy is basically an extension of the City of London; what little industry remains is being rapidly shut down under the New Labour regime. Industrial jobs in Britain fell from 4.52 million in 1997, when Labour came to power, to 3.53 million now, and manufacturers expect many more jobs to be shipped overseas in the coming years. Under these conditions, if the financial system cracks, Britain cracks with it.

One plus, is that the upcoming elections will be a lot more exciting than people had anticipated. Although the parliamentary constituencies are drawn in such a way that they greatly favor Labour—many inner city Labour seats have far fewer voters than suburban constituencies which tend more to the Tories—there is going to be a lot of "tactical" voting. Many previously strong Labour supporters are saying that they simply cannot vote for Blair again. Also, the Liberal Democrats, with their staunch opposition to the Iraq war, are increasingly influential, and could win a significant group of seats.

Upheaval in the Lords

The revolt in the Parliament, and especially in the House of Lords, over the "Prevention of Terrorism Bill, was a "serious matter," senior British political observers told *EIR*. The Tories under Michael Howard, weak as they are, were seen dealing Labour a real defeat, and the Liberal Democrats emerged as a real force. The House of Lords is no longer a collection of landed aristocrats: Its members are senior political leaders of all parties—most of them former Cabinet members—and non-partisan senior figures from the legal and other professions, called "cross-benchers" because they do not vote on party lines.

At issue was an emergency bill to replace the Anti-Terrorism, Crime and Security Act which had been rushed through Parliament in 2001 by then-Home Secretary David Blunkett after Sept. 11. His bill—an outrageous violation of human rights—allowed unlimited detention, without trial, of foreigners suspected of terrorism; he also supported the creation of the Serious Organized Crime Agency, a British FBI-style national police force, and other police-state measures. Last December, a special panel of Law Lords—senior judges who are members of the House of Lords and act as a final "court" on legal matters in Britain—ruled eight-to-one that the 2001 bill violated the European Human Rights Act. Usually only five law lords form such a panel, but this case is so important that nine were included.

The Lords were ruling on an appeal brought by 9 of the 11 foreign detainees who have been held without trial in British prisons for up to three years. Belmarsh prison, where most of them were, is known as "Britain's Guantanamo Bay." Foreign suspects considered not in danger of torture or the death pen-

alty in their home nations, are deported. On Dec. 16, as the Law Lords delivered their decision, Blunkett himself had to resign, because of one of the bigger sex scandals in Britain in some time. He was replaced by Education Secretary Charles Clarke.

Lord Hoffmann commented on the bill: “It calls into question the very existence of an ancient liberty of which this country has until now been very proud: freedom from arbitrary arrest and detention. . . . The real threat to the life of the nation . . . comes not from terrorism but from laws such as these,” a view echoed by many of his peers. “This is a nation which has been tested in adversity, which has survived physical destruction and catastrophic loss of life. I do not underestimate the ability of fanatical groups to kill or destroy, but they do not threaten the life of the nation. Whether we should survive Hitler hung in the balance, but there is no doubt we shall survive al-Qaida,” Lord Hoffman concluded.

Violating the Magna Carta

Despite the Law Lords’ ruling, new Home Secretary Clarke kept the suspects in prison, and then submitted a new law, which had to be pushed through Parliament before the old one expired March 14. Clarke’s bill was hardly an improvement: It allowed the Home Secretary to issue harsh control orders, including for house arrest under severe restrictions, on both foreign nationals and Britons alike! This provision violates the Magna Carta. As in the 2001 bill, suspects can be detained without charges or trial, and with no right to even know the evidence against them, or to legal representation of their choice. Clarke’s only concession to the Law Lords’ ruling—at first—was that the suspects were not to be imprisoned. Clarke’s law gave the Home Secretary, and not the courts, the power to impose the new control measures—something that had not been allowed in Britain since the end of World War II.

The bill got through the Commons Feb. 28, but debate was hot. Clarke had to make an important concession, by agreeing that judges, and not ministers, would have the final say on house arrest orders. A cross-party group of MPs demanded an amendment to have judges decide on all control orders, not just house arrest. The amendment lost by only 14 votes, with 60 Labour MPs voting against Clarke. The “rebels” included ten former Blair ministers. The entire bill passed by a majority of only 53 in the 659-seat Commons, where Labour has 413 members.

This all went on against a background of extreme claims from the government, about the level of the terrorism “threat.” Everything from the upcoming election campaign to the wedding of Prince Charles in April, is touted as a terror target. Blair claimed on radio that “several hundred” suspected terrorists are being watched in Britain, although this number is “far in excess of what intelligence officials estimate,” which is more like 40, the BBC retorted.

Clarke cut debate short in the Commons, but he could

not do that in the Lords. On March 7, the Lords voted up a Liberal Democratic amendment that only a judge could impose *any* kind of control order, by a 249-119 majority—the biggest parliamentary defeat this government has had. Twenty Labour peers, including the former Chancellor—and mentor of Tony Blair—Lord Irvine and four other former ministers, supported the majority. Former Metropolitan Police Commissioner Lord Condon also voted against the government, undermining Blair’s contention that police and security services unanimously support his legislation. The Lords voted up—with big majorities—several other amendments to increase the powers of the courts over the ministry, at every level.

While the Labour rebellion in the Commons was rapidly reduced, Tories and Liberal Dems stuck to their key amendments, the Tories calling for a “sunset clause” that would have the new legislation automatically expire by the end of the year. Blair rejected the offer, but this was to prove his comeuppance: It was on this issue that the government finally had to compromise, in all but the letter of the law. In the House of Lords, strong opposition to the bill continued, threatening to provoke a constitutional crisis. Blair ranted about taking the issue to the voters, but this might not be a solution: Most people in Britain are clearly concerned about security, but do not necessarily think that Blair’s measures are the answer.

After an almost unprecedented, all-night marathon, Blair gave a press conference March 11 announcing—despite his repeated declarations of “no more compromises”—that both Houses of Parliament would get full ability to debate and amend a new bill to replace the current emergency legislation, within a year. Amid the turmoil, the imprisoned terror suspects were released on bail March 11, although under strict surveillance conditions. Howard called the Blair compromise a “sunset clause in all but name.”

Still More Problems for Blair

Blair has more problems. The key question of the “legality” of the Iraq war continues to haunt him. Controversy continues over the two-page parliamentary answer submitted on March 17, 2003, by Attorney General Lord Goldsmith, which, on top of the now totally discredited “Weapons of Mass Destruction” hoax, tipped the balance in the Parliament to support the invasion. Reportedly, Goldsmith had written a longer statement, questioning the legality of the invasion, just 10 days earlier, but this Downing Street refuses to publish.

On March 10, Cabinet Secretary Sir Andrew Turnbull asserted that there never had been any full legal statement by Goldsmith, which would mean that his short answer was the government’s “definitive advice” on the war. Britain’s information commissioner, Richard Thomas, has launched an investigation into the refusal to publish what Goldsmith wrote, based on the new Freedom of Information Act.

New U.S. Bases in Afghanistan: What Do They Portend?

by Ramtanu Maitra

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

Reports have made it clear that the decision to set up new American military bases was taken during U.S. Secretary of Defense Donald Rumsfeld's visit to Kabul in December 2004. Subsequently, Afghan Pres. Hamid Karzai accepted the Pentagon diktat. Perhaps, he did not put up much of a resistance; U.S. Intelligence is of the view that President Karzai will not be able to hold on to his throne beyond June, unless the U.S. Army trains a large number of Afghan national Army personnel and protects Kabul. Even today, the inner core of President Karzai's security is run by the U.S. State Department, using people provided by private U.S. contractors.

On Feb. 23, according to the official Bakhter News Agency, 196 U.S. military instructors arrived in Kabul, scheduled to stay until the end of 2006. Gen. H. Head, commander of the U.S. Phoenix Joint Working Force, said that the objective of the team is to expedite the educational and training programs of Afghan army personnel. The plan to protect President Karzai, and the new-found "democracy" in Afghanistan, seems to lie in the U.S. creation of 70,000 well-trained Afghan National Army (ANA) personnel by the end of 2006. As of now, the 20,000-strong ANA personnel help out the 17,000-plus U.S. troops and some 5,000-plus NATO troops that are presently based in Afghanistan.

In addition, in a move to bring in a large number of militia-men to ANA quickly, President Karzai on Feb. 28 appointed Gen. Abdur Rashid Dostum, a regional Uzbek-Afghan warlord of disrepute, as his personal military chief of staff. The list of what is wrong with General Dostum is too long to lay out here, but he is important to President Karzai and the Pentagon. General Dostum has under him at least 30,000 militia members of his Jumbush-e-milli. In other words, a quick change of uniform for Dostum's militia would increase the number of ANA by 30,000, at a minimal cost. There is also

no question that Dostum's men do not need military training; what they need is some understanding, and respect, for law and order.

The other important factor in play with this Karzai-Dostum union is the Pentagon-Karzai plan to counter the other major north Afghan ethnic grouping—the Tajik-Afghans. Since the Presidential election took place in Afghanistan last October, and throughout the winter, Washington has conveyed repeatedly that the poison fangs of al-Qaeda have been uprooted and that the Taliban is split. There was also reliable news suggesting that a section of Taliban leaders had accepted the leadership of two fellow Pushtuns, President Karzai, and the U.S. Ambassador, Zalmay Khalilzad, and were making their way into the Kabul government.

With al-Qaeda de-fanged and the Taliban split, one would come to believe that the Afghan situation is well under control. Is it so? If it is, then Kabul and Washington must explain how it is that a bomb went off in the southern city of Kandahar, killing five people on March 17, the very day that U.S. Secretary of State Condoleezza Rice landed in Kabul on her first visit to Afghanistan. Also needing explanation is why President Karzai has pushed back the dates for Afghanistan's historical parliamentary elections, originally planned for 2004, first to May 2005, and now to September 2005.

Opium . . . and More Opium

What is definitely not under control, and surely is the source of many threats to the region, is the burgeoning opium production. Opium production grew at a much faster rate during the U.S. occupation of Afghanistan than the rate at which the enemies of Washington, and Karzai, weakened during the same period. In 2003, U.S.-occupied Afghanistan produced 4,200 tons of opium, and in 2004, the still U.S.-occupied, and semi-democratic Afghanistan, produced a record 4,950 tons, breaking the all-time high of 4,600 tons produced by the Taliban in the year 2000. Although this problem is known to the world, the Pentagon refuses to deal with it. It is not the military's job to eradicate poppy fields, says the Pentagon. Why? Because it would antagonize the warlords who remain the mainstays of the Pentagon in Afghanistan, say observers.

When all is said and done, one cannot but wonder about the purpose of the new military bases. If al-Qaeda is only a shadow of the past, if the Taliban leaders are queuing up to

FIGURE 1

New U.S. Bases Planned in Afghanistan



join the Kabul government, and if the U.S. military is not interested in tackling the opium explosion, why does the United States need these bases? It seems a perfectly logical question to ask.

A ray of light was shed on that question during the recent trip to Afghanistan by five U.S. Senators, led by John McCain (R-Ariz.). On Feb. 22, McCain, accompanied by Sens. Hillary Clinton (D-N.Y.), Susan Collins (R-Maine), Lindsey Graham (R-S.C.) and Russ Feingold (D-Wisc.), held talks with President Karzai. After the talks, McCain, the number-two Republican on the Senate Armed Services Committee, said he was committed to a “strategic partnership that we believe must endure for many, many years.” He told reporters in Kabul that America’s strategic partnership with Afghanistan should include “permanent bases” for U.S. forces.

A spokesman for the Afghan President, however, told news reporters that establishing permanent U.S. bases would require approval from the yet-to-be created Afghan parliament. Later, perhaps realizing that the image that Washington would like to project of Afghanistan is that of a sovereign nation, McCain’s office softened his comments with a statement of clarification: “The United States will need to remain in Afghanistan to help the country rid itself of the last vestiges of Taliban and al-Qaeda.” His office also indicated that what the Senator meant was a long-term commitment of the United States, but not “permanent” bases. Was the “permanent bases” comment simply a slip of the tongue?

It was surely not a mistake. On March 16, Gen. Richard Myers, chairman of the Joint Chiefs of Staff, said that no decision had been reached on whether to seek permanent bases on Afghan soil. “But clearly we’ve developed good

relationships and good partnerships in this part of the world, not only in Afghanistan,” he said, also mentioning the existing U.S. bases in Uzbekistan and Kyrgyzstan.

Permanent or Long-Term?

But these accounts merely amount to word play. The reports from media in the Indian subcontinent clearly point out that the intent of the United States to set up new military bases, is not simply to bring Afghanistan under control, but to use as a major hub for controlling activities in the vast Eurasian region. In fact, one can argue that the landing of American troops in Afghanistan in the Winter of 2001 was conscious policy to set up forward bases on the crossroads of three major areas: the Middle East, Central Asia, and South Asia. It is important for Washington to set up these bases not only because of the area’s energy bounty, but also because it is the meeting point of three growing powers—China, India, and Russia.

One may also argue that the base set up at Manas outside Bishkek, the capital of Kyrgyzstan, is part of a military pattern. Central Asian reports indicate that close to 3,000 American troops are based there. It embodies a major commitment to maintain not just air operations over Afghanistan for the foreseeable future, but also a robust military presence in the region well after the war.

In Uzbekistan, prior to putting the Manas Air Base in Kyrgyzstan, the United States paid the Uzbek Government handsomely for permission to set up an air base in Qarshi Hanabad. There are about 1,500 U.S. soldiers in Qarshi Hanabad, and agreements have been made for the use of Tajik and Kazakh airfields for military operations. Even the neutral Turkmenistan has granted permission for military overflights. Ostensibly, the leaders of these Central Asian nations are providing military facilities to the United States to help them eradicate the Islamic and other sort of terrorists that threaten their nations. These developments, particularly setting up bases in Manas and Qarshi Hanabad, are not an attempt by the United States to search for an exit strategy for Afghanistan, but quite the opposite: to establish a military presence.

In December 2004, U.S. Army spokesman Major Mark McCann said that the United States was building four military bases in Afghanistan, which will be used only by the Afghan National Army. “We are building a base in Herat,” he said. “It is true,” and he added that Herat is one of four bases being built. The others are in the southern province of Kandahar, the southeast city of Gardez in Paktia province, and Mazar-i-Sharif, the northern city controlling the main route to central Afghanistan. The United States already has three operational bases inside Afghanistan; the main logistical center for the U.S.-led coalition in Afghanistan is the Bagram Air Field north of Kabul—known by U.S. military forces as “BAF.”

Other key U.S.-run logistical centers in Afghanistan include Kandahar Air Field, or “KAF,” in southern Afghanistan, and the Shindand Air Field in the western province of Herat. Shindand is located about 100 kilometers from the

border with Iran, which makes it controversial. Moreover, according to the U.S.-based think-tank, Global Security, Shindand is the largest air base in Afghanistan.

Encircling Iran

According to Paul Beaver, an independent defense analyst based in London, the proximity of Shindand to Iran could give Tehran cause for concern. Beaver points out that with American ships in the Gulf and Shindand sitting next to Iran, Tehran has a reason to claim that Washington is in the process of encircling Iran. However, the United States has played down the potential of Shindand, saying that it will not remain with the United States for long, but would be handed over to the ANA.

But Tehran has a reason to worry beyond Shindand. In Pakistan, the Pervez Musharraf government has allowed the commercial airport at Jacobabad, about 300 miles north of Karachi and 300 miles southeast of Kandahar, to be one of three Pakistani bases used by U.S. and allied forces to support their campaign in Afghanistan. The other bases are at Dalbandin and Pasni. Under the terms of an agreement with Pakistan, the Allied forces can use these bases for search and rescue missions, but they are not permitted to use them to stage attacks on Taliban targets. Both the Jacobabad and Pasni bases have been sealed off, and Pakistani security forces have set up a 5-kilometer cordon around them.

By March 2004, there were reports of increased U.S. operations in Pakistan. Two air bases—Dalbandin and Shahbaz—were the focus of extensive movements to provide logistical support for Special Forces and intelligence operations. Shahbaz Air Base near Jacobabad appeared to be the key to the U.S. Spring offensive. At Jacobabad, C-17 transports were reportedly involved in daily deliveries of supplies. A report in the Pakistani *Daily Times*, March 10, 2004, claimed that the airbase was under U.S. control, with an inner ring of facilities that were off-limits to Pakistan's military.

There is no question that prior to an U.S. invasion—unilateral or with the support of U.S. allies—a lot of diplomatic water will flow through the Persian Gulf. Only time will tell how long it will take either to resolve conflicts or to come to a determination that the disputes cannot be resolved. But, there is no doubt that the war option is on the table, and plans are afoot to go ahead in case. . . .

The intent to prepare for war was announced publicly by none other than Vice President Dick Cheney, just hours before being sworn in for a second term. In an interview on the MSNBC program "Imus in the Morning," Cheney publicly raised the possibility that Israel "might well decide to act first" to prevent Iran from obtaining nuclear weapons. Commenting on the Vice President's remarks, former National Security Council chief Zbigniew Brzezinski said on PBS, "the Vice President today in a kind of a strange parallel statement to this declaration of freedom hinted that the Israelis may do it, and, in fact, used language which sounds like a justification or even an encouragement for the Israelis to do it."

Will Mexico's PRI Become a Whorehouse?

by Ruben Cota Meza

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

The PRI, which ruled Mexico for more than 70 years, until it lost power to the right-wing synarchist National Action Party (PAN) in the year 2000, made a fundamental change in its party action program during the party's national assembly, held the first week in March. That change removed a paragraph which had banned foreign investment in the Mexican energy sector (a Constitutional mandate, in any event), and took a strong stand reaffirming the State's dominion over national resources, and in particular, over Mexico's hydrocarbon wealth. In its place, the PRI adopted an ambiguous statement that opens the door to the possibility that the PRI—previously the fiercest defender of the nation's right to its own natural resources—will modify Mexico's 1917 National Constitution, to once again allow the exploitation of those resources by foreign interests.

The founding of the PRI, and the national governments through which it governed from the 1920s until 2000, was largely the result of three historic episodes in Mexico's battle to establish itself as a republic, dedicated to the attainment of justice for its people. Those three episodes were: first, Mexican independence from Spanish colonial rule in the early 19th Century; second, the Reform and the battle led by Benito Juárez against French intervention, against the empire of Maximilian of Hapsburg, and for the restoration of the Republic in the mid-19th Century; and third, the bloody Mexican Revolution against the system of virtual serfdom and against the so-called economic "modernization" of dictator Porfirio Díaz in the early 20th Century.

The state's dominion over the natural resources of the soil and subsoil, established in Articles 27 and 28 of the 1917 Mexican Constitution, and the oil expropriation decreed in 1938 by President Lázaro Cárdenas (1934-1940), represent the essence of those historic battles. And it is against the very existence of the Mexican Republic, and of its right to use its natural resources, that both national and foreign interests have joined forces throughout Mexico's history, to threaten the viability of the nation itself. The PRI's surrender of its long-cherished defense of that national character, threatens to throw open the doors to such foreign enemies, and to turn the



The Congressional attempt to break the Constitutional defense of Mexico's national oil company Pemex, coincided with "energy NAFTA" looting plans being circulated in the United States ahead of the Crawford "NAFTA summit."

PRI into the vehicle of its own destruction.

Pressure for Mexico to Loot Itself

The PRI's suicidal turn is in response to a tremendous escalation in pressure on Mexico by the Bush Administration in Washington, and by the international financial institutions for which the United States serves as policeman (the International Monetary Fund, the World Bank, and so on). Driving them is the same desperate insolvency that is behind their efforts to steal the Social Security funds of the United States itself.

Bush, Mexican President Vicente Fox, and Canadian Prime Minister Paul Martin will be meeting on March 23 at Bush's ranch in Crawford, Texas. One of the main agenda items that Bush will impose there will be the necessity for Mexico to "open up" its energy sector to foreign investment. To prepare for that meeting, U.S. Secretary of State Condoleezza Rice travelled to Mexico in mid-March, to discuss how NAFTA (the North American Free Trade Association) could be expanded into a full "North American Economic Community" which, among other things, would encompass energy.

Another element of preparation for the Crawford meeting included a March 3 *New York Times* article, which publicized the campaign of Pemex director Luis Ramírez Corzo to "modernize" the Mexican state oil company, by allowing "risk contracts" and other forms of foreign investment. Still another was the article by former Mexican Foreign Minister Jorge Castañeda and former California Pension Investment Unit director, Nathan Gardens, which was published in the *Financial Times* of London on March 8. Castañeda, better known by some as "Wall Street's Fair-haired Boy," is currently a Presidential contender for 2006.

In the *Financial Times*, Castañeda proposes the establishment of a North American Energy Security Fund, which would channel financial resources from U.S. pension funds

into buying the bonds of this new fund. These bonds would then be used to double Mexico's oil production—and export it all to the United States. Castañeda's bonds would be backed, of course, by the future sale of Mexico's oil.

Senator Bartlett Fights the PRI 'Transvestites'

It is the allies of the international bankers within the PRI, who are encouraging PRI President Madrazo's sell-out plan. PRI Senator Manuel Bartlett Diaz, in an emotional speech before all the delegates of the PRI assembly, said that the enemy is also within the PRI. "Those who vote to abandon the explicit defense of the Constitution," he said, "are in favor of foreign interests. . . . If today we allow these neoliberals and sellouts encrusted within the party, to assure that we do not approve the defense of the Constitution of the Republic, we will have surrendered the party, and we will have lost the defense of national sovereignty. Do not allow this to happen!"

Senator Bartlett warned that if the PRI's conservative elements succeed in this, they will have eliminated the party's essence. The PRI would no longer be a nationalist party of the people. Bartlett identified this effort to destroy the PRI with former Mexican President Carlos Salinas de Gortari, who turned the PRI into the PAN's tail, and who, together with former President Ernesto Zedillo, pushed the PRI to the right.

Later, Bartlett denounced Madrazo as an anti-nationalist, an opportunist, and a hypocrite who seeks to stay on the good side of the businessmen and the multinationals, by offering them access to strategic sectors of the economy, and who, together with the PANista Government Secretary Santiago Creel, believes that the multinationals are the ones who are going to determine the 2006 vote, by choosing the person who is most sympathetic to their interests, and who can promise them the best deal.

In other words, Bartlett is describing how the PRI is rapidly becoming a brothel of transvestites, who are offering themselves to whomever is able to pay and will give them a new house—in this case, the presidential house.

Bartlett's strong attacks have forced Madrazo and his transvestites onto the defensive. For example, Manlio Fabio Beltrones, current president of the Mexican Chamber of Deputies, tried to justify what happened at the assembly by insisting that it did not mean "that we are going to support the privatization initiatives of Zedillo or of the PAN." And Madrazo himself declared that what the PRI assembly had approved was only "deeper reflection" on how to support the energy sector, and to discuss it with freedom and democracy.

Bartlett's response to all this was to say that such denials that privatization is on the agenda is just designed to fool PRI members. What is clear in all these verbal attacks and counterattacks, is that the PRI sector linked to Madrazo is sending a message to foreign interests and to their partners inside Mexico: Put us back in the Presidency, and we get you the oil that you lost more than a half century ago.

International Intelligence

Brazil Again in the Financial Whirlwind

JP Morgan Chase raised Brazil's country-risk rating by 7% on March 14-16, to 430, meaning that Brazil and Brazilian companies now have to pay a minimum premium of 4.3%, over the cost of U.S. Treasury bills, to borrow. The country risk supposedly is rising because financier cartels lowered their ratings on Brazilian debt at the beginning of March, citing the increasing danger of developing sector capital flight.

Brazil, indeed, is more vulnerable than ever, after the March 4 decision of its Central Bank to eliminate capital controls—in the name of “simplifying” and thus lowering the cost of sending money abroad. As of March 14, when the new rules went into effect, there were no limits to the amount of money which can be sent out of the country, and no documentation required on the source of the money. “What is underway, in a few words, is the legalization of capital flight,” economist Paulo Nogueira Batista, Jr. warned on March 11, in a *Jornal do Brasil* op-ed. He added that the total stock of financial assets in reals, which can be converted into foreign currencies at any moment, far exceeds the Central Bank's foreign reserves; Brazil will now be even more vulnerable to any run on the real.

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

'Great Energy Grab' At Crawford Summit

Mexican President Fox revealed March 16 that creation of a North American Community—the “great energy grab” proposed by the New York Council on Foreign Relations (DFR)—is indeed the central theme of the March 23 trilateral NAFTA summit of Fox, Canadian Prime Minister Paul Martin, and President George Bush, at Bush's ranch in Texas. In a press conference for Canadian and American journalists in Mexico City,

Fox announced that the upcoming summit will discuss how to expand NAFTA into a “North American Initiative,”—involving joint security measures, “a North American policy . . . on energy,” and “a customs union.” This is exactly the terms of the proposal floated by the CFR on March 14 for the creation of a North American Community, defined by a common security perimeter, external tariff, and energy policy.

With Fox's announcement and the CFR proposal, a similar one was floated a few days before by former Foreign Relations Secretary Jorge Castañeda and Nathan Gardels, which included doubling Mexican oil output within a few years. There were ugly maneuvers by the financier faction of the Mexican opposition party PRI, to crush its historic opposition to handing over Mexico's energy resources to foreigners, at the March 4 PRI national assembly. George Shultz's faction is demanding Mexico's and Canada's oil to build yet another speculative bubble on.

Fox said the “North American Initiative” is still in a draft form, but “We expect that in this next visit it will be made into an agreement among the three countries.” It will have many chapters, Fox explained: “One of them, very important, is security; we are going. . . to increase actions bearing on security.” The chapter related to energy seeks “a North American regional policy—and here, I'm talking about North America, the three countries, in energy matters,” he said.

Issues such as border security, trade and competitiveness among Mexico and the U.S.A., will be treated in a separate bilateral meeting at Crawford.

U.S. Ambassador Slams Kyrgyzstan Elections

In the aftermath of the second round of parliamentary elections in the Central Asian republic of Kyrgyzstan on March 13—ending with a majority for the candidates linked to President Akayev—attempts are being made to inflame the country. U.S. Ambassador Stephen Young blasted the elections (the first round was Feb. 27) as characterized by harassment of the independent media, government interference in the campaign pro-

cess, and media bias. He also noted that there had been rampant buying of votes by candidates from both sides. “These negative tendencies have damaged Kyrgyzstan's reputation for promoting democracy,” the Ambassador said.

Young made reference to demonstrations which broke out in different places in the country, as “a sign that many Kyrgyzstan citizens felt disappointed by the government failure to run a truly free and fair and transparent process.” The Swiss Daily *Neue Zürcher Zeitung* reported that in Jalalabad, leaders of what it called a “fairly heterogeneous opposition movement”—among them opposition leader Rosa Otunbayeva—had a gathering with 10,000 participants. The opposition leaders demanded the formation of “peoples committees,” which should function like a shadow government. But the paper reported the protest movement has no solid backing from the majority of the population.

\$4 Billion a Day Flowing Into U.S.

The U.S. Treasury reported on March 16 that net capital inflow into the United States in January totalled a huge \$92.5 billion, well over \$4 billion for every business day, to support the U.S. current account and budget deficits. The report brought the net cash that flowed into the United States during the three months November 2004-January 2005, to \$239.5 billion, and rising during that period (\$63.8 billion November, \$83.2 billion December, \$92.5 billion January)—an average rate of nearly \$1 trillion a year. When that immense flow supporting the dollar stops growing, the dollar's fall will accelerate; should it drop, a collapse of the dollar were likely.

Some 90% of December's inflow was from private corporations and individuals rather than governments' central banks; in January, that dropped to about 85%. There was a large increase in net purchases of U.S. Treasury securities by foreigners—from \$1.4 billion in December to \$23.1 billion in January—and an equally large, \$21 billion drop in foreign purchases of corporate bonds.

Ibero-Americans Tell Of Their Privatized Social Security Horror

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

The program was hosted by EIR’s Marcia Merry Baker with guest moderator Cynthia Rush of EIR’s Ibero-America desk, and included an interview with LaRouche Youth Movement activist David Nance. The program was extended to 90 minutes and was webcast, including live video feeds from Ibero-America, with simultaneous translation provided by EIR.

The full show is archived in video and audio, in both English and Spanish, at http://www.larouchepub.com/radio/archive_2005.html.

Marcia Merry Baker: Good afternoon, everyone, and welcome to The LaRouche Show. Today is March 12, 2005. I will be the co-host today; I’m Marcia Merry Baker. And due to the importance of the topic, due to the many guests—I’m very glad to say, we have live from four nations in Mexico and South America—we hope to run longer than our usual hour. And the topic of extreme importance is organizing to stop the fascist drive we see in the effort to privatize—to privatize—the Social Security system of the United States, which is just part of a broader effort to have these kinds of “steal and kill” solutions to the international financial crisis.

Our in-studio guest today for this special broadcast, from the LaRouche Youth Movement in Washington, D.C., is David Nance. My co-host Cynthia Rush will be moderating with our guests from South America and Mexico.

Our plan for today is, we are going to get firsthand accounts of the record of the imposition of privatizing social security in over seven nations in South America and in Mexico: how the stealing went on, how it’s been imposed under political lies, first in Chile, and then later elsewhere; and how it’s resulted in poverty, done all this harm—and it’s made a *bundle* for a certain international banking network.

The people we will hear from, I’d like to identify now, and we will be in



LaRouche movement activists helped mobilize a rally in Omaha, Nebraska in February, outside one of George Bush's stump speeches, called to push Social Security privatization. Americans are not buying the fascist lies Bush is parroting. Above: The LaRouche Show co-hosts (from left): LaRouche Youth Movement organizer David Nance, EIR Economics Editor Marcia Merry Baker, and Cynthia Rush.

dialogue with them directly.

From Chile, we will have Isabel Márquez Lizana, who is the Project Chief of the Individual Accounts Division of the Institute for Social Security Normalization, and she is also a Researcher with the Social Sciences Department of University of Chile.

In Mexico, we're very pleased to have three people from the state of Querétaro, Mexico, and they will be: Professor Marco Antonio Rubio Abonce, who is General Secretary of the Union of Academic Personnel of the Autonomous University of Querétaro, and co-President of the National Workers' Union of Querétaro; we will also have with him, Professor José Alfredo Zepeda, who is the former President of the Autonomous University of Querétaro; and joining them will be Javier Armando Jiménez, the Research Director of the Education Workers Union of the state of Querétaro.

In Peru, we have on standby Professor Alejandro Apaza Retamozo, who is President of the Service Cooperative of the Education Workers of Peru, and a founding member of the Teachers' Union of Peru.

And finally, in Argentina we will be speaking with Dr. Julio González, who, among other things, is the former Technical Secretary of the Presidency of the Nation in the 1970s; he is Professor of Economic Structures of Argentina at the Buenos Aires University and the National University of Lomas de Zamora.

Bush's Snake-Oil Roadshow

So with these guests on standby, let me just begin with a few short updates about the situation we face here in the United States. We've got the President of our country loose on a roadshow. It's a little like the old-fashioned snake-oil

roadshows, where he says, "Step right up, have I got a deal for you"—and namely, it's to privatize Social Security, which is just stealing.

Now, a warroom has been set up in the Treasury Department of the United States. And Dick Cheney, the Vice President, is going to be touring the country; the Treasury Secretary Mr. Snow is touring. They've announced a 60-day period of this kind of stuff.

That's the visible aspect. But, behind the scenes, we have characters that you'll hear more about, namely, George Shultz, based in California who, for decades—he was former Secretary of State, among other things, coming out of the University of Chicago, and has a predecessor pedigree of outright Nazism—has been backing swindles like this privatization in the Americas and around the world. He's also the economic advisor to Arnold Schwarzenegger, along with Warren Buffett.

So, we're in a very strategic kind of fight here, not just on one issue. We've got those who are demanding privatization—including deregulation or globalization of economic activity—to the point of outright fascism, as "solutions" to the economic breakdown that we see: outright fascism. I'm talking about the backers of these roadshows (I don't know what President Bush knows—that's a different matter). They're just saying: "We're going to do it. We're doing evil. We're going to intimidate you, and you're going to take it." And that's what we're going to stop. We're going to stop that kind of evil.

The context in which this is occurring—besides the fact that they're evil people—is that the financial system is in breakdown. And this gang wants to take what they can get, and do it with jackboot methods.

The opposite of this kind of fascist response to the breakdown, is what Lyndon LaRouche and collaborators, especially the LaRouche Youth Movement in the United States and internationally, have been working on. They've been putting forward the idea that you can reorganize the financial system, have a new system like after the Second World War with a New Bretton Woods. And we can look ahead to restoring sovereign nations, functioning economies.

I want to take this opportunity to announce—you won't be able to see it so well—but I have the cover that's being printed of Mr. LaRouche's new book that will be out in ten days, called *Earth's Next Fifty Years*, which contains how to change your thinking about how we can bring forth development and hope in the world again. On the cover of this new book, is the installation of the nuclear power plant in Angra in Brazil, near Rio de Janeiro. And that says a lot about the kind of world we can look forward to, once we defeat this evil crowd of the Schwarzenazis and so forth.

So, it's a showdown time. Let's just stress that the financial breakdown process can be seen in many ways. One aspect is the dollar! We've had two runs on the dollar in the last two weeks. They were stopped a bit. But after South Korea and then, a few days ago, Japan, had officials saying, "we are going to start to ease out of holdings in the dollar, because we're losing too much money," the whole system shook. We have even bigger seismic shakes domestically in the United States, where General Motors, and the whole complex of the automaker and the financial GMAC end of General Motors, has a debt of some \$250 billion—that's practically bigger than Brazil and Argentina's much-vaunted official foreign debt. And that is ready to blow, and unpayable.

Resources Needed for the Fight

So, you have a world of huge amounts of unpayable debt. That's the backdrop to the idea: Are we going to reorganize that debt on behalf of people? Or are we going to pay a network of thieves, saying that they're bankers, who are trying to do this looting?

So, to awake citizens of all the nations of the Americas is a big job. And here in the United States, that has very much been done by a pamphlet that many of you are familiar with. Close to a million copies have now been distributed around this country in only the past few months, on "Bush's Social Security Fraud: Stop George Shultz's Drive Towards Fascism." We have been getting calls from California, from the LaRouche Youth Movement there, saying: "We can get out a million more. Get us a million more." That would bring it up to 2 million. The only issue is resources; people should be distributing this.

And not just resources for that. I will also stress—there's an old tradition in the United States and Mexico and elsewhere—of subscriptions to LaRouche's new book. So anyone who wants to advance order *Earth's Next Fifty Years*, don't hold back!

The LaRouche PAC put out this pamphlet about George Shultz and Social Security privatization also in Spanish; there's at least 50,000 copies of that. And I heard that in Mexico, there is another pamphlet waiting for the resources to go on the presses—

Cynthia Rush: Right, 50,000 copies.

Baker: Fifty thousand of a special pamphlet for Mexico and for South America.

So, we have a tremendous situation. I conclude with an update for everyone. I want to report on a bandit—his name is José Piñera, and he's been around for too many decades. He's a Chilean national, to begin with, but was trained at the University of Chicago—George Shultz—and Harvard. And so, in the 1970s, José Piñera was in on the ground floor of the coup and the Augusto Pinochet dictatorship in Chile, the military coup in 1973. And then Mr. Piñera designed the privatizing of social security in Chile. We will hear about that.

Besides going to many other countries in the intervening decades, Mr. Piñera in the last few years was based in Washington, at an outfit called the Cato Institute, where he co-chairs a committee to privatize Social Security here in the United States. In recent months, before this pamphlet went out, Piñera—who has a big ego and a big website—was promising to be everywhere from Milwaukee to Boston. But, now he's gone underground! We don't like to make fun of our national anthem, but we might say, "José can you see?" because you cannot see him in the last few weeks. Only earlier this month, on March 4, did the *Wall Street Journal* manage to get this guy to reappear in public. He was interviewed in Santiago, Chile, talking about how great it is to privatize social security and have ownership—well, of poverty. The other backers of these kinds of policies can be forced into cages. We can do it with Arnold Schwarzenegger.

And therefore, we are so glad that we have today our guests on standby, and Cynthia Rush, will moderate our discussion, which as you know is in Spanish and English, translated simultaneously; it is in video and audio.

LYM Organizing on Capitol Hill

But, just before we turn things over to Cynthia and begin with our guests, we have a chance to hear from David Nance of the LaRouche Youth Movement, who's been in Washington, D.C. most recently. I think you've been on Capitol Hill and Congress: What's going on in the halls of Congress?

David Nance: Well, it's been relatively interesting. There's been a pretty open response to what we've been doing, something unlike anything we've seen before, in terms of the Democratic Party as a whole opening their doors, and essentially saying: "We know you guys have been leading this fight against Social Security privatization on the ground. And we're fighting this thing from an institutional standpoint. But we need a certain degree of insight into how to fight this thing in a more potent way."

We are seeing this in a number of offices, in which we've had representatives, who are looking at various aspects of this problem. For example, the question of the influence of people like Alan Keyes and this private committee he's got—BAPAC—in the African-American community, which is a big concern among Democrats: The fact is that, I think approximately 51% of African-Americans still support Social Security privatization, which is one of the weak links in this effort. So they realize that there's a necessity for the LaRouche Youth Movement to intervene and take more leadership in terms of educating the population and doing these kinds of things.

And they've assured us on numerous occasions—because we've been going into offices and essentially telling them that they have to stay the course. They have to stay the course on the question of FDR; they have to go after the fascist roots of this policy. And while some of them do resist the idea of using the “F” word, the vast majority of them have been responding on the question of FDR.

Roosevelt Method vs. Fascism

Baker: They say, you can't say “fascism.” On the pamphlet, it says “fascism.”

Nance: Yes, yes. Well, they enjoy—they swallow up the pamphlet. But then they'll turn around and say, “You can't say that publicly.”

But, by and large, they've been moving on the FDR question. We have to do an educational job, in terms of giving them a sense of who FDR was, as opposed to name-dropping “FDR.” We have to add more substance to it, which is by and large, what we've been trying to do: Educate them more on the question.

Baker: If you're talking about Senators and Congressmen, they've had a chance to see you and your colleagues in action, organizing the general population on the street, and in these town meetings. I think some 300 more town meetings have been called for by the Democrats. How's that going?

Nance: Oh, it's going great! We've been doing these interventions. By and large, the population loves what we're doing. The Senators tend to be put on the spot, and sometimes they don't exactly know how to respond to what we're doing, since there is a certain formulaic way they typically deal with these things—and we typically throw the whole rules of the game out of the window, so to speak.

But by and large, the population loves what we're doing. They love the upfront approach on the question of Social Security. And I think, by and large, they'd like to see more of that out of the Democratic Party—and we're trying to give them the courage to fight on a more principled basis.

Baker: And some of the young people, it's a question of becoming more active, whereas the older generation, especially if they're over 80, they already stand with you?

Nance: They're already there. In principle, they're there with Roosevelt. I mean, there's a problem in terms of education, which is a bigger issue, and I think the new LaRouche book will go a long way in terms of addressing that issue. But the youth, by and large, still have questions. We've been on the college campuses and so forth, really knocking heads on this question of Social Security, and giving our generation a sense that it's not just a program for the elderly, or the disabled or whatever. But that this program is representative of where they're going to be in the next 50 years. Because, I think this idea of what Lyn is discussing in terms of the world over the next 50 years, is also relevant in terms of our generation: In 50 years, a young guy like myself—

Baker: You'll be young!

Nance: Yes, exactly! [laughing]

José Piñera's Privatization Dictatorships

Baker: Well, thank you very much. We're now going to proceed, country by country, with some questions, beginning with Chile, then to Mexico, then to Peru, and to Argentina. We'll proceed now with Cynthia introducing our guests.

Rush: I think what I'd like to do, very briefly, before we get to our guests, is make a few introductory remarks about what this privatization process has been in Ibero-America, and what it means for the populations. As Marcia said, we know the Chile case, the 1981 privatization, overseen by this character, José Piñera. But this was done under the aegis of the University of Chicago economics team, which actually was planning the Chile policy well before the 1973 Pinochet coup. And then, subsequently, seven other nations across Ibero-America were forced to accept this same policy.

I think it's important to point out that José Piñera states explicitly on his website, that this was never just about Social Security—he's very open about that. He states that his policy was part of a package deal of radical free-market reforms, that were designed to affect every facet of the economic and social existence of the Chilean nation. The argument was that the privatization policy would provide people with “ownership”—we've heard that term from George Bush—that every worker could become a capitalist; and that everyone would be happy, with larger pensions, and more benefits, and more employment, etc.

Let's look at what really happened. These same free-market, International Monetary Fund, fascist policies, were applied throughout the continent at the same time. Some were under the aegis of dictatorships, as in the case of Argentina, Bolivia, Brazil; others were not dictatorships, but nonetheless these policies were applied, with tremendous brutality and blackmail and thuggery. And, let's just be clear: We're talking here about the theft and confiscation of tens of billions of dollars in pension funds from the old pay-as-you-go systems, which had existed in Ibero-America, into these private pension funds, known most often by the acronym AFP, or some

variant of that.

I think it's really important, also, for people to understand, that historically in Ibero-America, the constitutions of almost all of these nations—which were in fact modelled on the U.S. Constitution—contain articles and clauses that state explicitly that the governments are mandated, by law, to defend the general welfare of the population, and include provisions for broadly based social security, health care, preventive medicine, etc. So, this was a very strong tradition in Ibero-America.

Today, “ownership”—the only thing that workers own in Ibero-America, is their own poverty, and their own misery and unemployment. The beneficiaries are the financial predators that we've identified: the banks, the insurance companies, the speculators who have appropriated these funds. What supposedly was going to go into social development, job creation, benefits of other kinds, went purely into speculation and financial trickery. And the interests that have historically been involved in looting the productive resources of Ibero-America, are the same interests that control the pension funds today, and control the foreign banks. You have the Spanish bank Banco Santander, you have the Spanish bank BBVA, and Citibank of the U.S. These are the top three owners of pension funds in Ibero-America today.

So, with that as a backdrop, I would like to proceed now to our first guest, whom we are very honored to have with us, Isabel Márquez Lizana from Santiago, Chile. As Marcia mentioned, she is the Project Chief of the Individual Accounts Division at the Chilean state agency, the Institute for Social Security Normalization. But, she is also an expert in the issue of Social Security privatization. She's written extensively, documenting the disaster that this has meant for the Chilean population. She works at the University of Chile, and also has written for the United Nations Development Program. And she lived in Chile, of course, throughout this entire 24-year period, and so, she has first-hand experience in what this has meant for the population.

Isabel, you have written about this very strong tradition of protection for workers in Chile, which goes back to the early 1920s, and in fact, Chile was a pioneer in launching social security in Ibero-America, and subsequently that was picked up by other nations. After 1973, there was a dramatic shift. The University of Chicago, José Piñera came in, and you had this dramatic free-market policy imposed. Could you please tell us, what this change meant, in terms of the Chilean labor force? What happened to the labor force as a result of the change in this policy?

Chile: Millions Forced into Extreme Poverty

Isabel Márquez Lizana: First of all, before 1981, when the social security reform as such came about, there were preparations that were made in terms of labor legislation, to carry out the kinds of radical reforms which José Piñera has talked about. Because, all of the protective measures that ex-

isted for the labor force had to be removed. Because, before then it was not possible to simply lay off a person without cause; there were certain requirements that had to be met first. So, there was a whole preparation before the fact, in terms of the labor force, to be able to implement, subsequently, the social security reforms.

To introduce those reforms, they would criticize the previous social security system, which was a kind of pay-as-you-go system, based on the principles of social security which existed worldwide, principles that were expanded on by the International Labor Organization.

So, in 1981, a reform was carried out in Chile without opposition, because Chile lived under a dictatorship. There was no possibility whatsoever for debate or opposition to this. The reforms that were carried out on the labor front, were designed precisely to destroy any protection of the labor force. So much so, that today there are few measures remaining that protect the labor force. Today they are much less protected than they were back in 1973.

For example, I myself am a public employee, but I have a contract which has to be renewed every year, year by year. And they don't even have to present a reason for firing me, should they decide to do so, although I've been in the same institution for 13 years. I don't have a longstanding contract. This is the case across the board.

So, all of these reforms were carried out to wreck labor rights. And then afterwards, in 1981, when there was no possibility of opposition, the social security reform was implemented. In fact, it was very dramatic, because, there was a lot of pressure placed on people. There was a lot of fear—people were scared of losing their jobs. They were afraid of losing not only their jobs, but their lives! So, it was rather difficult to oppose these kinds of policies.

So, most of the government employees were transferred over to the privatized system. A certain period of time was given to people to switch over voluntarily to the privatized system. In that brief period, people were pressured—and the majority in fact did switch. Those who were not convinced that they should join the private system, were switched over regardless. They were pressured, and they were switched over—the directors of companies, the employees, were all just switched over. So, the majority of the population ended up in the private pension funds.

Some were convinced that this would be a good system. José Piñera talked about how this would be advantageous, because supposedly this would fix the problems in the old system, and there would be benefits, so that's how the privatized system in Chile got under way.

And so, what happened is that the funds were then handed over to the privatized administrators. Today, a very small percentage of the labor force is actually covered by the privatized system, but the amount of money that the private fund administrators get is enormous. The administrators take a lot by way of commissions. And the costs of the transition were

picked up by the government. And that, in a nutshell, is the way in which this policy was implemented in Chile.

Rush: Thank you. And let's keep in mind, also, that during this period José Piñera was the Labor Minister. And he carried out draconian reforms—destruction of the labor force; trade unions were eliminated, no collective bargaining; the rights of workers were just trampled on completely.

There is a Chilean private think-tank, called Cenda, which has written on the subject of social security as well, and they note that the private pension funds, the AFPs, are the most protected entities in Chilean society—that is, they took the money, they ran, and they left the state holding the bag with a responsibility to somehow try to cover people's minimum pensions. You have workers today with no stable employment, they can't make the required number of deposits in the private accounts over a 20-year period, which is 240 payments.

How many people are we talking about, who cannot even qualify to receive the minimum pension guaranteed by the state? Out of the labor force of 6 million people, what are we talking about in figures?

Márquez: We're talking about more than 3 million people! The people who are today affiliated with the private system are about 6.5 million. But of those 6.5 million, half are not going to qualify *even* to have the minimum pension specified by law. And that pension is, in fact, very low here in Chile. We're talking about 75,000 Chilean pesos, so we're talking about just a little over \$100 a month. So, that's what millions of people are not even going to be able to get.

One of the most crucial provisions which existed under the old system, is that a large number of people at least got minimum coverage. But, if we look at the situation we have today under this privatized system, millions of affiliates won't even get a minimum pension. So, they're going to live in complete misery. Because, unlike most developed countries, to qualify for welfare provisions in Chile you have to be in a condition of *extreme poverty*. It's not only that these people don't have the right to the minimum pension, and so they then immediately get some sort of welfare—no, no! People have to qualify for that, by being indigent, in a condition of *extreme poverty*. That means, they can't have hot water; they can't have a TV set; they can't have any kind of basic commodity or necessity of life. So, they can't even have an income of, say, \$50 or less, of the minimum wage. If they get that much, they don't qualify for welfare.

So, what this means is, that many, many people in Chile are not going to even get the minimum pension. And since these people are not living in conditions of extreme poverty—they are just workers who get the minimum wage—they don't get welfare either.

So, I have to tell you: Today, in Chile, the labor force is basically employed in seasonal jobs, not permanent jobs. So people only contribute to the social security system half the

year! Why? Because there is a lack of protection of the labor force. People are hired for three months; then, they're fired after three months; then, they're hired again. And in general, what has been calculated, is that people at the lower skill levels take three to four months to find another job.

This has been the case for professionals as well. So, what we're talking about is that, even being a professional does not mean that you have a steady, stable job. You may have a decent job at some point, but it will last only for a few months, and you're going to be in the same situation and unprotected, because they can fire you at any time.

So, we have a labor market on the one hand, and a social security system which is completely inappropriate to this labor situation. Why? Because, to have a social security system, you need to have someone who is paying in regularly for 40 years, and with a salary which is higher than the minimum wage. Those are the minimum requirements here; and that's what the AFP system means. So, it's impossible to survive under those conditions.

I would imagine this is the case in most countries around the world. Today, globalization of the world, and globalization of the labor market, have created a situation where, worldwide, labor is very unstable. Given what the globalized economy looks like, exports are encouraged and national industry is not allowed to develop. This happened here in Chile. There are a lot of industries that used to be famous, but have simply shut down. For example, the shoe industry, which used to employ a lot workers; today, we import shoes into Chile at a very low price, and the quality is lower. But people think they should buy the imports, because their income is so low. So they buy shoes that are cheaper. The same thing with the textile industry. Today, in Chile, there are no longer any of the big industries that used to hire people, who had protected jobs, long-term jobs.

So, given that reality of the labor force in Chile, the current social security system, which is obligatory and is privatized—you can't switch out of the system, because there is no freedom to choose different systems. You cannot choose between the public and private systems; you can only choose among the seven different, private fund administrators. And that's the only thing that people can do. So, there is no actual freedom of social security. When they said that this was designed to create more freedom for the individual, it's not true. People are not able to choose today, between a state system and a private system. There is no such thing.

Call Piñera to Account for His Crimes

Rush: I would like to ask one more quick question of Isabel, which I think gets to the heart of the matter. We've talked about José Piñera being in hiding, but of course for years he has been paraded around the U.S. to promote Chile as the real model for this privatized system that Bush is pushing. I would like to ask you, Isabel: If you had Mr. Piñera standing in front of you, what you would say to him about his

great plan? And also, what message would you send to the Congressmen of the United States, in terms of telling them what the experience has been in your country and what they need to know?

Márquez: I would *really* like to have José Piñera in front of me! Because I would ask him, to give a basic accounting of what he promised when the system was privatized *with blood and bullets*. Can he tell us what has happened? He promised there would be full employment. Full employment, in Chile? Today, the level of unemployment is greater than 10%; furthermore, it never went down as a result of the social security reform, as he had promised. Because he told us, that businessmen would be so happy about this privatization, since they would no longer have to pay their share into the social security system (as occurred under the old system), that since they would be so happy, they would hire more people in Chile. And therefore, he said, we'll have full employment.



Isabel Márquez Lizana

He also said there would be economic development, fabulous economic development in the country. To some degree there was some sort of development, but *not* what he promised.

And he also told us—and this was the most important point—he said, that the social security system, whose major purpose is to provide a dignified pension for people, would pay out much better pensions than before. And today, what we're seeing—as shown by all of the studies that have been done, and there are more and more studies being done—we see that people today, the great majority of people, are going to receive a pension which is *one-third* of what they are currently making as their wage.

I would ask Mr. Piñera to explain this. Please explain to us, both in macro- and micro-economic terms, where are all of these promises? Where are they now? Because, when you make promises like he did, as a major leader of our country, you somehow have to be accountable to the population, and to the country, to the people who have been damaged by this, about these problems.

I would really like to have him in front of me, to ask him for an accounting of this.

And, my message to the U.S. population: Do not be fooled by this! You have a tremendous advantage: You have the possibility of opposing these policies, which is something we could not do here in Chile. So therefore, it would be a real mistake, a really unfortunate thing, if you did not take advantage of your opportunity to oppose Social Security privatization.

Social security is a benefit, it's part of people's human



Chile's privatizer José Piñera, now being trotted around by the Cato Institute in Washington to bring Pinochet's fascism to the United States. Chilean patriot Isabel Márquez warns, "My message to the U.S. population: Do not be fooled by this!"

rights. To be protected in this fashion in your old age, under conditions of sickness—that is part of human rights. Don't let them take this away from you! This is not something that should produce a profit. Social security need not provide profits for anyone! It's wrong to think of it that way. It's a cost, and a necessary cost, for a state which protects its population, such as once existed in Latin America, and also in the United States, and in other countries of the world.

That would be my message: Please do not be fooled, because there will be great masses of people left in poverty, and that would be unfortunate. That would be my message.

Mexico: Saddled with Huge Liability

Rush: Thank you so much, Isabel, for joining us today.

I would now like to move on to our next guests in Mexico, where we have—as Marcia mentioned—Prof. Marco Antonio Rubio Abonce; Prof. José Alfredo Zepeda; and Mr. Javier Armando Jiménez.

By way of introduction on the Mexican case: The privatization of Mexico's pension system, its partial privatization, occurred in 1997, under the government of President Ernesto Zedillo, of the PRI party. It made it mandatory for private-sector employees who were affiliated with the Mexican Social Security Institute (IMSS) to invest their pensions in private funds, which are known as "Afores"—retirement fund administrators—instead of in the pay-as-you-go state system which had existed. What is still not privatized, is the social security system for state-sector workers, known by the acronym ISSSTE. But there is, however, enormous pressure right now to privatize that as well, and there's a huge brawl going on inside Mexico.

José Piñera has also been skulking around Mexico at various times in the past. The LaRouche Youth Movement in Mexico is about to publish a 50,000-run of a pamphlet under the provocative title of “Don’t Let Pinochet’s Chile Screw You.” (You can draw your own conclusions from that title.) So we are deeply involved in this fight against social security privatization.

Now, I would like to pose my first question to Prof. Marco Antonio Rubio. Professor Rubio, welcome. Since you are an active trade unionist, what does this privatization of the pension system mean to you, and to organized workers? And if it were fully privatized, what would that mean?

Marco Antonio Rubio Abonce: I would like to ask Prof. Alfredo Zepeda to answer this question. He’s not only the former president of the Autonomous University of Querétaro, he’s also a distinguished activist in our trade union, and he has been very active politically. He’s a member of the PRI party, and he’s involved in some of these activities, so I would like to have him respond to this first question to give a broader response to this question.

Rush: Okay, well then, we’d like to hear from Professor Zepeda.

José Alfredo Zepeda: Yes, it’s my pleasure to say hello to you this afternoon.

I think the relevant point here, is to note the very special circumstances which Mexico is living through. In fact, President Ernesto Zedillo of the PRI party took it upon himself to make certain adjustments to the social security law, by creating the Afores system in Mexico. This has not, so far, meant eliminating services, provided either by IMSS or the ISSSTE, which are the institutions which basically maintain the pension system in Mexico.

What you can see, however, is a tendency to look to schemes that gradually replace the main institutions, which are in the social interest of the country, such as the IMSS or the ISSSTE. They’re trying to gradually replace them.

I think it’s very important to clarify that, in Mexico, you have a very grave situation, a very delicate situation, because, in fact, the economic funds don’t exist, the financial support doesn’t exist for the workers affiliated with these institutions. This means, that in Mexico, there is a huge liability of the social security system, which is over 1.3 times the GNP of the country. We’re talking about an amount which is greater than \$800 billion, and these are funds which simply don’t exist. That’s what the liability is.

So, in Mexico, you have a very delicate situation. Although it is the case, as can be seen in the United States, that there is a voracious appetite to get hold of the pension funds; in Mexico that’s not exactly the way it’s working, because the state, the government of Mexico, is trying to gradually reduce its own obligations with regard to the pension system. The government of Ernesto Zedillo strongly promoted a series of reforms, which the current President,

Vicente Fox, has tried to carry forward.

These reforms involve various different ways of dealing with the economic situation. They’re called “structural reforms.” This involves the energy sector; this involves the labor area; this also sometimes tries to privatize everything that’s at hand. And unfortunately, Ernesto Zedillo—who was President of Mexico and who came from the ranks of the PRI—was not actually acting according to the principles of the ideology of the PRI party. That is to say, he did not work

“I would really like to have José Piñera in front of me . . . to just give a basic accounting of what he promised when the system was privatized with blood and bullets. . . . To be protected in your old age, under conditions of sickness—that is part of human rights. Don’t let them take this away from you!”
—Isabel Márquez Lizana of Chile

under those conceptions. In fact, he was working for different purposes, for those that the International Monetary Fund and World Bank were trying to impose on Mexico. And Zedillo is now an excellent employee of those institutions.

50 Million Mexicans Have No Future

Rush: Thank you. I would like to direct another question to Professor Rubio, if I may. The Mexican economy is not in good shape. There are dramatic statistics regarding the percentage of the Mexican workforce that don’t receive a pension or will not receive a minimum pension. Furthermore, there is a large number of people in what’s called the “informal economy” or the “underground economy,” who don’t work “on the books.” Can you say something about the current state of the Mexican labor force, in terms of who gets covered, who doesn’t get covered in the current partially privatized system?

Rubio: Well, with regard to the informal economy, it’s hard to quantify, but we can speak of, perhaps, 50 million people who *don’t* have access to *anything* in terms of social security. We saw, in the case of Chile, that for those who lived in extreme poverty there was some welfare. Here there’s nothing whatsoever for the extremely poor.

The labor structure is fairly well established, when we’re talking about state sector employment, or people who are employed in the formal economy—those who do pay taxes and get some services from the private sector. But, what’s

really worrisome are those 50 million Mexicans who have no future.

Rush: So the real issue is one of real economic development, and real productive jobs that have to be made for people. Some of those who back privatization argue that the issue is “demographics,” which is of course an argument we hear here in the U.S.—that there aren’t going to be enough young workers in the future to support the pensioners, or retirees. But isn’t the issue really, what is the actual state of the Mexican economy? As you just said, there are 50 million people who have nothing. How do you provide coverage for those people? Is the issue demographics?

Rubio: No. As I said before, we see no way in which an economic system of this sort can solve this kind of problem of poverty. Because, in the final analysis, the kinds of employment which exist in Mexico, are jobs which are provided either in the *maquiladora* sector, or seasonal employment, and of course provide no kind of security in terms of social security coverage or otherwise.

Rush: Thank you so much, Professor Rubio.

I have a question that I would like to direct to Mr. Javier Armando Jiménez, who, as we mentioned earlier is research director at the Education Workers Union of the State of Querétaro: As part of the broader IMF policy that has been imposed on Mexico over the past decades, there are some sectors that are saying that they want to extend the privatization beyond social security, and go into other areas of the economy such as the energy sector. Can you tell us something about this?

Javier Armando Jiménez: Sure, be glad to. In fact, we have been fighting hard here in Querétaro, and also nationally, on the question of the possible privatization of not only social security in Mexico, but also the privatization—and there’s a real danger of this—of the whole public sector, which was created with the foundation of our Republic, and that grew under the protection of our 1917 Constitution. Today, the way that these people have been trying to create the circumstances in which they can privatize the entire economy, is by imposing a draconian austerity policy here in Mexico.

In 1982, when Miguel de la Madrid was inaugurated as President, he promised us that there would be only two years of austerity, but we now have been going on for some three decades with nothing but austerity. And the austerity was designed to complete destroy the physical and the human infrastructure of the country, which had been created by the public institutions, the public sector of the economy. In this regard, I should also mention that they went about reducing that part of the GNP which was focussed on the productive areas of the economy.

Lately, there has also been a real growth of corruption in Mexico, in many different ways. A lot of the money which could have been invested in improvements was used instead for other purposes. That’s really been a scandal over the last



Marco Antonio Rubio Abonce: There are 50 million Mexicans “who don’t have access to anything in terms of social security,” because there are few productive, full-time jobs.

three decades.

Another idea that has created these circumstances, are programs such as so-called “voluntary retirement” imposed upon people. So what you had was a growth of demand for services and social security; but, on the other hand, the personnel that provide these services have not increased. There have been job losses as a result of this. So, you’ve created negative conditions for the population, which are then used to try to convince them to accept privatization: privatize public education, privatize the energy sector, privatize the social security system.

This is the problem that we’re facing here. And this goes along with a program of a kind of a brainwashing of the population which is being carried out, where the main mass media have carried out a campaign to get the population to fall for these lies. So, we here are trying to show that these ideas are wrong.

For example, we’ve been told that the problem in our public institutions such as social security, which is endangered, is because the “population pyramid” has been inverted, meaning that there are more and more people going into retirement. This has grown too much, they say, because we’re a population which is growing progressively older. And the employed population, the youth, the labor force, are dropping. But, these are the same people who can’t get a job! And if they can’t get a job, they cannot pay into the social security system. They don’t pay taxes, which could be invested productively; and they are not providing any funding for these services.

So, all of these conditions are being used as a weapon to force through privatization. We have taken upon ourselves the task of saying that we have to unite all the different trade unions, to say that this is a lie. Four years ago, we began a fight on this in the state of Querétaro, in defense of public education, because we saw how this was being destroyed and

dismantled. As the Secretary General of our union was just explaining, they've imposed a kind of *maquiladora* program on us. For example, I am a worker. I work at the Technological Institute here in the state, which is connected to the National Polytechnic Institute. So, we will perhaps produce engineering graduates. But when our economy drifted into this *maquiladora* economy, engineers were no longer needed, because the projects that they could be employed in, aren't being carried out.

So we face having our whole technological institute system disappear in Mexico. This is very damaging, because these could help us achieve technological independence. So, this has been the policy of privatization which has been carried out.

Peru's 'Pensions-Finished Administrators'

Rush: Thank you so much. And we should also reiterate that this kind of privatization process occurred throughout Ibero-America during the period of the '80s and '90s, with absolutely devastating consequences, as part of this whole José Piñera/University of Chicago policy.

I would like to thank our Mexican guests, and now move on to our next country, which is Peru, where we have Prof. Alejandro Apaza Retamozo on the line.

Peru is actually the second country in Ibero-America, after Chile, to have privatized its pension system, partially privatizing it in 1992. And then, in November of last year, they pushed through a reform which forces all retirees to put their funds into the private system, which is also known as the AFP system, through a law that was passed, Law 20530. This caused a huge outcry in the country, as people recognized this represented an enormous theft of pension funds. I'd like to ask our guest: Who are the Peruvian allies of José Piñera? Because I knew that there are several close friends of his there. And can you tell us something about the current system, in terms of coverage for workers and pensions—particularly given the destruction of the economy, and, as in other countries, the growth of the informal sector? Who qualifies to receive pensions at all?

Alejandro Apaza Retamozo: Well, first of all, I would like to send my greetings to all of you. As a retired professor in Peru, I can tell you that the privatized pension system, which was born here in Peru in 1992 (about ten years after the Chilean system), in fact, was based on the frequent visits to Peru of Mr. Piñera. He was aided by the authoritarian policies of then-President Fujimori—who was a corrupt President we had at the time—and then, Minister Silva Ruete who was one of the Economics Ministers. He began to attack and dismantle the existing state pension system, using various laws to do this.

Then there is another ally of this policy, a man who today is about to be sentenced in a criminal trial, because of what he did also as Economics Minister in the Fujimori government. He was kind of the artificer of the privatization in the



In Mexico, the LaRouche Youth Movement has produced 50,000 copies of a pamphlet against what is now a partial privatization of the pension system, unabashedly titled, "Don't Let Pinochet's Chile Screw You,"

early '90s. He managed to use state funds to create his own private AFP. (Here we say that that stands not for "Pension Fund Administrators, but for "Pensions-Finished Administrators.") This ex-minister who is about to go to jail is Carlos Boloña, who was one of the promoters here in Peru of the big assault against the workers, both in the private sector and the state sector, in order to force them to sign up with the private AFPs.

Today, there are really only four AFPs in Peru, so they're a monopoly. So, these policies are not accidental, as the Chilean colleague Isabel Márquez has pointed out. In Peru, there are about 800,000 pensioners, including teachers and professors, like myself; retired military men, and policemen, transportation and municipal workers, health-care workers, etc. All of them are part of the association, National Confederation of Pensioners of Peru, which I'm affiliated with. Laws were imposed on our country by the International Monetary Fund and big financial interests, through a Letter of Intent of 2002, which President Toledo signed with the IMF. They then implemented these policies through a spurious Congress—maybe I shouldn't really say this, but that's what they are:



Peru's Prof. Alejandro Apaza Retamozo: "Financial interests [aim] to steal the funds representing 45 years of workers' wages, and seize not only their pensions, but the new contributions to social security . . . and de-industrialize our country."

spurious, illegitimate. And they passed laws in Peru which froze the pension level provided for all pensioners.

I want to come back to what was said at the beginning by Isabel Márquez from Chile. I had the opportunity to go, a year and a half ago, to a meeting of retired workers in Chile, at the offices of the UN Economic Commission for Latin America (ECLA) in Chile, and there, the teachers of Chile were explaining that those who had retired in 1980 in Chile had \$100 a month as a pension, but after 15 or 20 years of the private social security system in Chile, teachers got less. So what is happening is against the interests of the workers in Chile, and also Peru, and all over Latin America. As our Mexican colleague referenced as well, this policy is absolutely disastrous. This policy of the big capitalist interests, has simply privatized, before the fact, the future wages of the currently employed workers, and also the low pensions of retired workers all around the world.

In the second Bush Administration, he wants to do the same thing inside the United States, with his reform of Social Security. About three days ago, I received a call from a family member who lives in the United States and who is retired. And he told me how disastrous he thinks the Bush policy is going to be in the United States, if it goes through.

Peru has about 28 million inhabitants, with over 6 million retirees. This is a growing number, because there isn't full employment in the economy, and people are retiring early. The cooperative which I represent, has created a committee to promote job creation, because many of us are going to have to keep working. It's what you are forced to do, given the economic liberalism which the oligarchy has imposed—not only in the United States, but in Europe, as well as Japan and other countries. The oligarchy has

imposed this around the world.

We need to be very clear. We have to be very courageous all across Latin America: that, fortunately, we do have the right to a pension, no matter how small it is. We are facing a big offensive, because this is the best deal in the world for the financial interests which steal the funds representing 45 years of workers' wages, and seize not only their pensions, but the new contributions to social security as well. And that's what they're trying to do with the privatized pension funds, the owners of which are, in fact, the large banks, as you mentioned earlier on this program. In this way they want to get their hands on funds to invest it, reproduce their financial capital, and de-industrialize our country, as happened in Chile with the textile and the shoe wear industry. The same thing is happening here in Peru.

We also don't think the Peruvian government should sign the Free Trade Agreement with the United States, because this is a way that small economies are eaten up by the big ones.

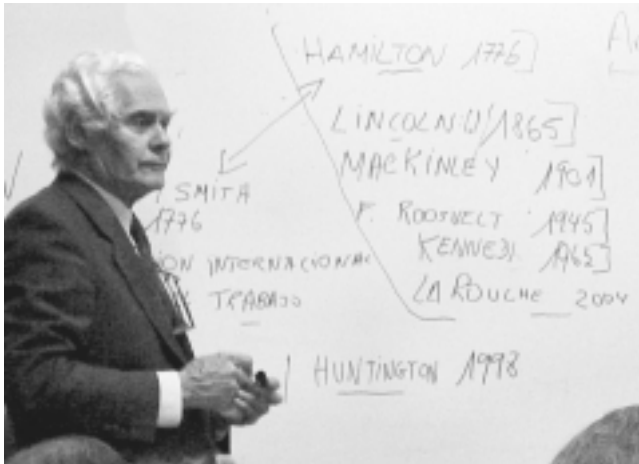
LaRouche Youth, Pensioners Take Up Fight

Rush: Professor Apaza, I know that there's a great deal of ferment in Peru, and organizing in opposition to this privatization, by pensioners, miners, electrical workers. What kind of organizing are you doing in opposition to this, to bring about a change in this policy? And the LaRouche Youth Movement is also organizing there.

Apaza: You're right. In the city of Arequipa there have been activities. This is the second largest city in Peru, and it's a city which has the best organization of pensioners, both in the teachers sector and also in the health sector. And every Thursday, they carry out a public mobilization in the central plaza of the city, and they have burned effigies of this privatization policy. This involves the entire south of the country. Pensioners have established the Conupep, the National Confederation of Retirees, that you mentioned, which has presented draft legislation that says that the proposed additional privatization laws are un-Constitutional, and demands that the current Toledo government withdraw these laws, because they're un-Constitutional, and we're convinced that the Supreme Court will rule against them. And if they do not do that, we will take this to the international court in Costa Rica, because there are precedents for this.

I would like to end with a brief anecdote. I was in a meeting of pensioners in the city of Ica, and a retired worker from Marcona Mining, which produces iron ore, said to one of the speakers: "I'm a pensioner, for the last five years. Before I was laid off, for 25 years I paid in to the state pension system. But then after that, I was switched over to a private company, the whole pension was passed over to a private AFP. Today, I just get 500 soles. Do I have any rights? Can I get them to give me what I would have gotten under the old state system?"

And the answer the speaker gave him was: "Your current pension would have been, before privatization, six times what it is today. But because you went into the private system, you now can't do anything."



A longtime friend of the LaRouche movement in Argentina, Julio González, is shown here giving a class at the University of Lomas de Zamora in 2004. He told *The LaRouche Show* how the privatization policies of President Carlos Menem continued the devastation and genocide carried out during the military dictatorship of 1976-83.

That worker wanted to cry. He didn't know what to do—he was an old man, an old miner. So, that gives you, in a very palpable fashion, the immorality of this system of privatized pensions, which is not going to continue here in Peru.

This is all a dirty deal, which has been struck. And this has got to be put to an end. We workers are organizing; we are carrying out actions, both on the legal front, and also in terms of popular mobilizations, vigils, demonstrations, to clarify to people that we have to be active in this struggle against privatization.

Argentina: Not Living on \$83 a Month

Rush: I'd like to move on to our final guest, from Argentina: Dr. Julio González. Dr. González is an old friend of EIR and Lyndon LaRouche. We've known him for many years. He is the former Technical Secretary of the Presidency of the Nation under President Isabel Perón, from 1973-1976. He is also Professor of Economics at the University of Lomas de Zamora and the University of Buenos Aires, where he has been teaching from 1965 to the present. I should also mention that he is a noted historian, who has documented the plunder of the Argentine economy going back to the early period of independence. He has just published a new book that further discusses that topic—so we're looking forward to seeing that.

The privatization of Argentina's pension system occurred in 1993, under President Carlos Menem. And I understand that you, Dr. González, had an opportunity, in that period, to get a firsthand report from certain financial sectors, that this planned privatization in fact had nothing to do with benefitting the population of Argentina, but was purely for the purpose of benefitting financial interests and speculators.

Julio González: Yes, you're absolutely right. The Argentine Republic on March 24, 1976 underwent a terrible

coup d'état, which had two objectives: to carry out a genocide and an economic devastation of the country, and to bring about a total de-industrialization of the country. The genocide which occurred from 1976 to 1983, is seen in the following statistics: 30,000 people murdered; through 1980, some 2,400,000 émigrés, and 18,000 industrial companies shut down.

But the demographic and economic devastation, that began there, continued for the ten years of the government of President Carlos Menem, who was promoted as an acolyte and continuer of the military tyranny of the 1976-83 period. Menem begins the policy of privatization. He privatized all of the state-sector companies; all of the state entities, such as ports and airports, the mining capabilities of the country, and the oil sector, as well. That is, the entire patrimony of the Argentine state.

The value of what was privatized? \$1 trillion. The price received by Argentina? 2.6% of that value, just \$26 billion which was not even paid in cash, but rather in government bonds held by the new private owners, bonds, which on July 8, 1989, when Menem came into office, were valued at only 14% of their face value. And these were given in payment for this *entire* patrimony.

In 1993—carrying out policies in the same direction as things in Chile, or in Peru, and what afterwards occurred in Mexico, and is now planned in the United States—Menem privatized the social security system of Argentina. Through Law 24241, the entire system of social security was privatized.

It's very important that the entire continent be made aware of the fact, that the destination of the resources held by the newly privatized AFPs was not money that went to productive investments. It was not to provide tangible, physical output. I have the law in front of me here, Law 24241, which says in its Article #74, that the objective of these changes is to purchase public bonds issued by the government, by the provinces, also negotiable bonds issued by private companies, and also bonds issued by foreign states. Similarly, there were to be investments in foreign financial instruments, mortgages, and similar financial investments.

All of this is stated, explicitly, in the privatization law. That law then says, almost as an afterthought, that the funds could be used for social security, as well. But the main purpose was to have the funds go into the *financial* sector, to cover its own insolvency. The money was for the financial sector.

Rush: I think it would be interesting for our listeners to know how this privatization might have fed into Argentina's debt crisis, which was evolving at that time, and became far worse after that?

González: Argentina was left without any physical resources, and was left with a gigantic foreign debt, which in 1999 was \$145 billion. This is public foreign debt, without counting other public debts that the municipalities and provinces had. So, the social security system of Argentina was left



Chile's dictator Augusto Pinochet (left) with former Argentina President Carlos Menem, whom Dr. González called an "acolyte of the military tyranny of the 1976-83 period."

without any possibility whatsoever of providing for the needs of anybody. The current population of Argentina is 37 million. There are 14 million employed; 10 million are either unemployed, and living in poverty, or hold seasonal jobs only. The poverty level in Argentina is a mere \$83 per month. And then you have the indigent unemployed: 12 million in total, who are even worse off.

So, definitely, we can say that in Argentina, there are 22 million people who don't know, when they get up in the morning, if they're going to be able to keep working, or even keep living.

In terms of most pensioners, they currently receive 300 pesos a month, which is about \$100 a month. It's a very low level. In the future, with the privatized pension system, out of every ten people, only three will be able to retire with some level of pension.

So this is mass genocide of the population, who will die as a result of lack of medicine and lack of food. This is the *real* Argentina, that, despite the efforts of President Kirchner to avoid it, has nothing to do with the Argentina that the media internationally portray.

Rush: Thank you so much, Julio.

I'd like to thank all of our guests in Ibero-America, and hand things back over to Marcia or to David for any additional questions.

Baker: Well, David has one general question, and maybe Cynthia can direct the question more specifically to our guests.

Organizing Youth for Real Economic Reform

Nance: I wanted to ask what your approach has been to organizing youth, in your respective nations, not only around the question of social security—obviously, to stopping the social security privatization—but also organizing them

around the necessary economic reforms that must be implemented if your respective nations, and our nation as well, is to survive the current crisis? So, that's my general question.

Rush: All right—I don't know if there is anyone specifically, in perhaps Mexico, or Peru, where the LaRouche Youth Movement has been deeply involved in addressing both the broader issues, as well as the privatization.

Baker: I think we might begin with Mexico.

Zepeda: Yes. I would like to add one of the concerns that we have, when I mentioned the liabilities that exist in the entire Mexican system, with regard to the payments of pensions to workers. The reality is that, in Mexico, we don't have the money to be able to pay those pensions. In the case of the IMSS, the situation is so bad, that every day there is less money available to buy the medicine and supplies necessary for medical care, which is covered under the Mexican social security system. So these resources don't exist. And since there is no federal government budget line to cover this, payments to pensioners are taken from the funds allocated for medical care, since both are part of the IMSS system. This is a real threat. In the case of the universities, the necessary resources also don't exist.

So, I think it's a very dangerous situation that we have here in Mexico. I see a contrast with the situation in the United States, where there is the intention of privatizing Social Security so that the government of the United States, President Bush, can have resources available to finance the deficit, including all of those commitments such as the war in Iraq, and so on.

I think the United States is facing a very interesting situation right now, to be able to stop this from happening. I understand that in the U.S. Congress, both Democrats as well as some Republicans are aware of the meaning of these privatization proposals which President Bush is proposing.

In the case of Mexico, there are those who propose to privatize other things in the country, such as the energy sector. This would be very damaging. The people who present these ideas to the public, actually confuse people, and people come to believe that we somehow have to privatize everything, so that things will work. They argue that supposedly everything in the public sector is not profitable and doesn't work. That's really not true.

My belief is, that in Mexico in the next few years, we are going to see a serious economic problem, because the government is going to have to somehow cover its obligations, and there aren't enough resources available to cover the universities, social security, or Pemex, the oil sector company. Pemex doesn't even have the resources which it itself generates, because they're taken into the general budget of the government.

The fact is that Mexico's oil is not going to last forever; it's only going to last a number of years more. And these oil funds are going to end sooner or later. And Mexico is going to have to figure out how to cover all of our obligations.

And the answer is *not* to privatize.

We don't have Mexican banks any more. We've lost all of our banks. The entire Mexican banking system has been turned over to foreigners. Just a while ago, Banamex was handed over to Citibank.

We Mexicans are aware of these things. The political parties have not really known what's going on, and they say that privatization is good. And there are just a few individuals, such as Sen. Manuel Bartlett, who oppose this.

Rush: I want to ask if Professor Apaza from Peru might have something to say, to address the question that was raised by David Nance.

Apaza: Sure. The Conupep is going to carry out a whole series of activities, first, with regard to the un-Constitutionality of the social security reform proposal which has been presented. We are quite sure that we will win this in the courts. We want to revoke the laws that I mentioned. And we are also organizing for a new social security system, which would be based on solidarity and would be advantageous to workers, and would reverse the privatization of the social security system as well. Many of the former Presidents of Peru, and the current one as well, were involved in activities that curtailed the rights of pensioners in Peru. And many illegal laws were passed as well. Likewise, the multinational companies should pay the taxes that they owe the government of Peru, which they evaded, especially under the Fujimori government. That's basically what I can tell you.

Form an International Alliance

Baker: Well, thank you very much to everyone participating. I'd like to conclude by noting that we've had two things today: A very powerful, firsthand report from throughout South America and North America on the broadest dimensions of the devastation of our hemisphere in the last 30 or 40 years of globalization, deregulation, and privatization, including social security. And we know that, it's not just a single-issue fight—I'm addressing my colleagues here in the United States, my fellow citizens, my fellow patriots. We can win this. We can beat back the drive to steal Social Security in the United States. And this will create an opportunity to roll back the devastation in other countries, as we've just had reports on.

I'd like to pick up, in conclusion, on one of the issues mentioned both by our friends in Querétaro, Mexico, who were talking about "well one day, oil might be depleted," or Mrs. Márquez who said, "we've lost traditional industries." As you know, Chile's copper mines can be depleted; or in Argentina, you can have depletion.

This raises the concept of where we're going, not just for the next few days and months. Here in the United States we're committed to defeat this Social Security monster that George Shultz's fascism is behind. And what that means is, we can look forward to the next 50 years, and that's the title, *Earth's*

Next Fifty Years of Lyndon LaRouche's new book. I hope it will be out in Spanish, too, as soon as possible, but in ten days, it will be out in English.

The point is, as noted in the foreword to the book, which Mr. LaRouche just wrote a few days ago, called "Economics and Ideas," that what we encounter all the time, is, we hear about 40 or 50 years of destruction, and then someone might say, "Yes, but. . . there's nothing you can do, it's too late." Or, in the halls of Congress, you'll mention the word "fascism," and some Senator will say, "Yes, but. . . you can't say that."

We get that: "*Sí, pero. . .* this and that. You can't do this."

We *can* do it. And I thank all of our collaborators today, both for their firsthand reports and for their commitment that we are going to change this. And I know that, in the LaRouche Youth Movement, the banners are being held high, in Peru, in Mexico, in Argentina, and many other places, promoting of the kinds of projects that we should have been doing for the last 50 years, and we can do in the next 50 years: for railway building, for nuclear power, for safe water. And I leave everyone with that, as part of the commitment we have to fight to defeat this privatizing of Social Security.

Rush: I would like to thank all of our invited guests from Chile, especially, who gave us that firsthand report, of how they are fighting this system throughout the continent. It's been a real eye-opener for all of us.

Baker: And thanks to David Nance in the LaRouche Youth Movement. I believe we have a final comment from Mexico.

Jiménez: Yes, here in Querétaro, I want to send a message to our sister-nations, so that together we jointly wage this battle, this battle of our entire population to say "No!" to privatization of social security; to say "No!" to any privatization that is an attack, an assault, on our populations, against our energy resources, against our education systems.

We here have, as an objective, to form a national front, a united front both nationally and internationally in this battle. We have fellow workers from other trade unions here who are joining us, because jointly we are working to build a battle plan.

We want to circulate a pamphlet about this battle, which was sent to us from the United States, on the battle against the privatization of Social Security in the United States and worldwide. We want to publish 50,000 copies of this pamphlet that the LaRouche movement initiated. So that people in the cities and in the streets know about this. And in this regard, I want to wish you all the best, and that we jointly be able to lead this battle with the entire population at our side, to have a total victory, against these evil, Satanic forces that want to destroy our nations.

Thank you very much.

Baker: Thank you for speaking. All of us thank you for those parting words. Thank you very much.

Threat of Financial Collapse Looms Over Budget Debate

by Carl Osgood

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

The annual budget debate got off to what the White House viewed as a "promising" start on March 9, when the House and Senate Budget Committees each passed resolutions which, though differing in particulars, largely followed the Bush Administration blueprint. The process rapidly turned tumultuous, however, when the Senate began debate on its resolution, as a number of Republicans began to break with the austerity dictates in the document. Before long, House Budget Committee chairman Jim Nussle (R-Iowa) was threatening that if the Senate did not go along with the Bush budget, there might not be any agreement between the two chambers on a resolution, this year. "The House isn't going to budge when it comes to spending," he said. If there's no agreement, it would be the third time in four years that the budget process went forward without a budget resolution.

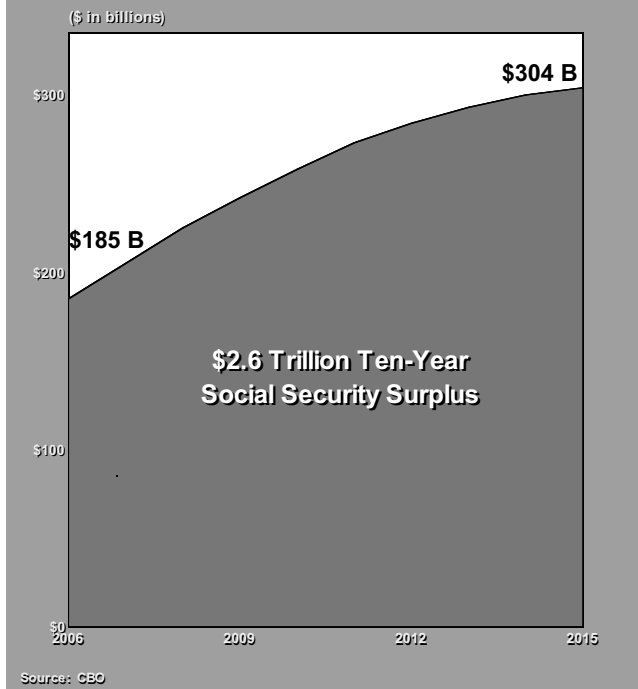
Underlying the tumult is, of course, the ongoing collapse of the financial system and the accompanying crash of the dollar—some of the reality of which was acknowledged by Sen. Kent Conrad (D-N.D.), the ranking Democrat on the Senate Budget Committee, during a Senate floor speech on March 14. Conrad noted that, increasingly, the growing annual deficits in the Federal budget are being financed from abroad, by foreign buyers of U.S. Treasury bonds. The total external debt of the United States has almost doubled to \$2 trillion since President Bush has been in office, and much of that debt is held by foreign central banks. Conrad warned that that "makes us more vulnerable to the decisions of foreign

central bankers as to the economic security of this country." Conrad asked the Senate "What happens if they decide some day they are not going to continue loaning us money?" The answer, of course, lies in recent headlines highlighting the vulnerability of the dollar, to plunge at mere rumors that one central bank or another is considering diversifying its foreign holdings out of the dollar. "These are the risks being run due to a reckless fiscal policy," Conrad said.

Yet, the budget resolution under debate, Conrad said, will worsen the problem, by actually increasing spending, much of which is not accounted for in the budget, and giving more tax breaks to those in the top income brackets. The dividends and capital-gains tax cuts in the budget plan will benefit those making a million dollars a year, to the tune of \$35,000, while those making less than \$50,000 a year will get \$6. Conrad used a chart to demonstrate that the Federal deficits in the next five White House budgets (FY2006-10) only appear to decline somewhat because the Social Security surplus is included in them, and it is projected to grow rapidly over that period. If that "borrowing" of the surplus is taken away, Conrad showed, then even Bush's own projections of Federal budget deficits get steadily larger from now to 2009. He emphasized the hypocrisy of Bush's prattling about a multi-trillion-dollar Social Security deficit sometime in the future, while Bush creates that deficit by spending Social Security's current surpluses on further tax cuts for wealthy Americans and multinational corporations.

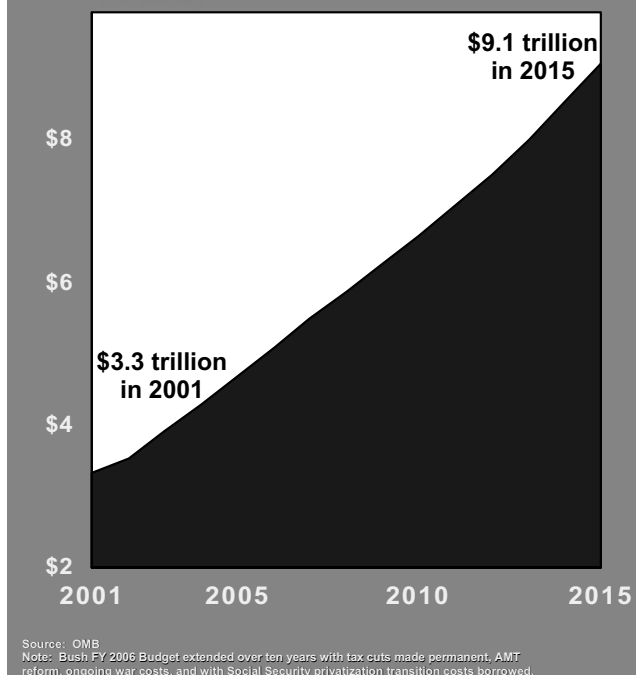
And Conrad noted, the cost of maintaining needed funding levels in programs crucial to many people, is a fraction of the \$32 billion cost of the Senate resolution's proposed tax cuts. To maintain the Fiscal 2005 funding level for veterans' benefits would cost \$300 million. To restore funding to be cut from the Community Oriented Policing program would cost

**Bush Budget Spends Every Penny of
\$2.6 Trillion Social Security Surplus
on Tax Cuts and Other Things
FY 2006-2015**



Publicly-Held Debt

Under Bush Budget with Tax Cuts Made Permanent, AMT Reform, Ongoing War Costs, and with Social Security Privatization Transition Costs Borrowed



Answering the Bush/Senate leadership budget for the Democrats, Sen. Kent Conrad of North Dakota showed with these charts and the table, that exploding U.S. debt and current-account deficits threaten a financial meltdown, and that the “privatization” looting of Social Security worsens that threat.

\$500 million; education, \$4.8 billion; community development block grant funding, \$1.7 billion; low-income heating assistance, \$220 million, and so on.

Republican Revolt Against Austerity

The budget plan’s bias in favor of austerity for the millions of people who are constituents of hundreds of various government programs, is also a factor in a small but significant revolt brewing among moderate Republicans. Medicaid is the largest program affected, but hardly the only one. The Bush budget calls for reductions in Medicaid spending by \$60 billion over five years, cuts which would fall heavily on already overstressed states. The Senate Budget Committee included in its resolution, instructions to the Finance Committee to make changes in law that would cut about \$15.2 billion from FY2006 programs under its jurisdiction, about \$14 billion of which will come out of Medicaid. But the committee added a Senate resolution that no bill should be reported to the Senate that would “undermine the role the Medicaid program plays as a critical component of the health care system of the United States,” nor would impose spending caps, “or otherwise shift Medicaid burdens to State or local governments” or “under-

Top Ten Countries Holding Our National Debt

Japan	\$715 B
China	\$191 B
United Kingdom	\$152 B
“Caribbean Banking Centers”	\$76 B
South Korea	\$69 B
OPEC	\$61 B
Taiwan	\$58 B
Germany	\$56 B
Switzerland	\$51 B
Hong Kong	\$50 B

Source: Department of Treasury.
Note: As of November 2004

mine the Federal guarantee of health insurance coverage Medicaid provides.”

The committee amendment was sponsored by Sen. Jon Corzine (D-N.J.), who warned that if the proposed cuts go through, the impact won’t stop at the states, but “is going to trickle down to our elderly, individuals with disabilities,

children—and what we’re really going to do is force people into the streets.” He added that the real problem is rising health-care costs and a growing number of uninsured; cutting \$14 billion out of the program is not a solution. Committee chairman Judd Gregg (R-N.H.) maintained, in reply, that the plan is not a cut, but rather a reduction in the rate of growth over the next five years. “We have to control the rate of growth in these health accounts,” he said. “These proposals don’t affect delivery of service.” He called the proposal “a marginal effort to try to address the most significant issue of entitlement spending, which is health-care.” Gregg nonetheless allowed the amendment to pass by unanimous consent. It was not Corzine’s amendment that worried him, but substantive attempts to take out the instructions to the Finance Committee.

On March 17, such a substantive attempt succeeded. The Senate voted 52-48 in favor of an amendment, co-sponsored by Senators Gordon Smith (R-Ore.) and Jeff Bingaman (D-N.M.) that struck out the Medicaid cuts. Instead, it established a Medicaid commission to examine the program and develop recommendations for reform. Smith told the Senate that what brought him to the point of opposing Senator Gregg and the Bush Administration on Medicaid was the principle that “in good times and bad, the people we do not abandon or put at risk are those who are most needy in our society.” He declared that he is committed to Medicaid reform, “but what I am not prepared to do is to put the budget ahead of policy, and that is what is going to happen if this budget contains this provision.” At least two other Republicans, Norm Coleman of Minnesota, who also was a co-sponsor, and Olympia Snowe of Maine, also spoke out in support of the amendment. Snowe, in fact, pointed out that the reason why there’s been so much growth in the Medicaid program that “the economic downturn which state economies experienced several years ago . . . has continued to leave many families jobless and without health insurance, forcing them into Medicaid.”

After the vote, an angry Gregg told the Senate that it would mean there would be no serious effort to control costs in the program for years to come. “And it’s been done by Republicans,” he said. “You just have to ask yourself, how they get up in the morning and look in the mirror.”

Amtrak Also Targetted

Another target of the budget axe over which the GOP may split, is Amtrak. As reported previously, Bush’s budget plan calls for zeroing out the Federal subsidy to Amtrak, in order to force it into bankruptcy. The budget would provide only \$360 million to maintain mass transit services in the Northeast Corridor, which is dependant on rail infrastructure. Sen. Robert Byrd (D-W.Va.) sponsored an amendment to add \$1.04 billion to Amtrak’s allocation, so that it can continue operating for another year. Byrd told the Senate that the elimination of Amtrak’s subsidy is not a recipe for a streamlined railroad, as the Bush Administration claims, but rather, “It is a recipe

for a dead railroad.” He warned that a transportation and economic disaster will result if the 13 million passengers who travel on the Northeast Corridor are forced onto the highways and into airports, instead.

Sen. Arlen Specter (R-Penn.) showed how much Republican support there is for Amtrak, when he inserted into the record his letter to the Budget Committee, signed by six other Republicans and 32 Democrats, asking it for the funding necessary to preserve Amtrak’s national network of passenger rail service. “The hallmark of an industrial society,” Specter wrote, “is having urban transportation.” He noted, as had Byrd, the tremendous amount of capital investment Amtrak needs in order to maintain safe and reliable service for the 25 million passengers it carries each year. Byrd’s amendment was defeated, however, on a 46-52 vote, with Specter and Lincoln Chaffee (R-R.I.) being the only Republicans to vote for it. The other five GOP signers of Specter’s letter may have been swayed by Surface Transportation Subcommittee chairman Trent Lott (R-Miss.), who promised to write a reauthorization bill that would “get a reliable stream of funds for Amtrak so its future can be certain, and so this does not have to depend just on annual appropriations.”

The Senate also acted on a number of other amendments that contradict the Bush budget. It adopted an amendment sponsored by Sen. Jon Ensign (R-Nev.) that increases funding for veterans’ medical care by \$410 million; but this followed a vote against an amendment by Sen. Daniel Akaka (D-Hi.), that would have added \$2.8 billion for that purpose. The Senate also voted 63-47 to increase funding for health and education by \$2 billion. An amendment to restore the so-called pay-as-you-go rule to the budget, died on a 50-50 vote, however, even though it had four Republican co-sponsors. It would have required that new tax cuts, as well as new spending, be paid for by offsets elsewhere in the budget. The Republicans’ current rule requires offsets for new spending, but not new taxes.

The House began debating its own budget resolution on March 17. It remains unanswered—given Nussle’s threat to go it alone if the Senate diverges too far from the Bush blueprint—is whether or not the two chambers will be able to agree on a spending plan. If not, the FY2006 appropriations process could be even more chaotic than those of the last few years.

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

by Edward Spannaus

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

The next day, Reid and other Democratic Senators appeared at a Capitol Hill rally, where Reid called on Democratic activists to “reach out to Republicans of good will to vote with us on this issue.” Sen. Robert Byrd (D-WV), the Senate’s most eloquent defender of its Constitutional role, told the rally: “An ill wind is blowing across this country. That wind sows the seeds of destruction. Our Constitution is under attack. We must speak out.” Byrd warned that Republican leadership wants to gag the Senate, to suppress the rights of the minority, and warp the Senate’s Constitutional purpose.

Former Presidential candidate Lyndon LaRouche expressed his support for what Senators Reid and Byrd are doing. Reid is doing his job and showing leadership, and doing this well, LaRouche said. LaRouche also emphasized the importance of engaging Republicans in a policy discussion, most importantly on the issue of the economic crisis, which, he said, is what is driving the push toward dictatorship, which is reflected in the desperate effort to change the Senate rules.

Cheney Changing the Rules

At issue here, is what is being called the “nuclear option,” to wipe out the 200-year Senate tradition of extended debate, with respect to Presidential nominees, especially judicial nominees. On the pretext that the Democratic minority has obstructed Bush’s nominations, the presiding officer of the Senate, that is, Vice President Dick Cheney, would announce a change of rules, so that an end to debate (“cloture”) would require only a simple majority of 51 votes, rather than the 60 it now requires.

Under the current rules, a substantial minority of 41 Senators can vote to continue debate (a “filibuster”) and thereby block legislation, or a nominee, which they strongly oppose. The Senate is not, and was never intended to be, a simply majoritarian body, but was designed as the “cooling saucer,” the more deliberative body, in contrast to the House of Repre-

sentives which the Framers of the Constitution saw as most subject to the passions of the moment.

Under the false assumption the Constitution requires that the Senate give the President an up-or-down vote on his nominees, the right wing, including the phony Christian “evangelicals,” are mounting a campaign in support of having Cheney exercise the “nuclear option.”

But many Republicans do not support this drastic move. Senator Arlen Specter (R-Pa), the head of the Senate Judiciary Committee, which has jurisdiction over judicial nominations, has been attempting to head off such a confrontation, as have a number of others. At a February 24 press conference, Specter stated that “I’m going to exercise every last ounce of my energy to solve this problem without the nuclear option. If we have a nuclear option, the Senate will be in turmoil, and the Judiciary Committee will be hell.”

Two conservative Republican former Senators, Jim McClure of Idaho and Malcolm Wallop of Wyoming, wrote an op-ed for the March 15 *Wall Street Journal* called “Don’t Go Nuclear,” in which they strongly argued against a Senate rule change which would allow debate to be cut off by a simple majority. This would, they contended, be “in effect, turning the Senate into a high-end version of the House of Representatives.” And, among other reasons they set forth, they pointed out that conservative Republicans have used the filibuster in the past to block what they consider undesirable legislation, and this is likely to also be the case in the future.

At his March 15 press conference, Sen. Reid began by quoting Benjamin Franklin’s famous response to a question put to him at the conclusion of the Constitutional Convention in 1787: “Well, Dr. Franklin, what have we got, a republic or a monarchy?” To which Franklin responded, “A republic, if you can keep it.”

“For more than two centuries,” Reid continued, “we’ve kept our republic because Americans have understood that our liberty is protected by our laws and by a government of limited powers. Our Constitution provides for checks and balances so that no one person in power, so that no one political party, can hold total control over the course of our nation.”

“But now,” Reid said, “in order to break down the separation of powers and ram through their appointees to the judicial branch, President Bush and the Republican leadership want to eliminate a 200-year-old American rule saying that every

member of the Senate can rise to say their piece, and speak on behalf of the people who sent them here.”

Reid also exposed the fraud of the Administration’s claim that Democrats have obstructed confirmation of Bush’s judicial nominees, pointing out that “this President has a better record of having his judicial nominees approved than any President in the past 25 years,” and explaining: “Only 10 of 214 nominations have been turned down. So it is clear that this is an attempt to strip away those important checks and balances. It’s not about judges, it’s about the desire for absolute power.” (Others have pointed out that, during the Clinton Administration, Republicans used procedural devices to block 60 judicial nominees.)

Reid released a letter he had just sent to the Senate Majority Leader, Bill Frist, in which Reid stated: “Should the majority choose to break the rules, the majority should not expect to receive cooperation from the minority in the conduct of Senate business.” Democrats would exempt only national defense matters and spending needed to ensure ongoing Federal operations, Reid explained, but otherwise, “will be reluctant to enter any consent agreement that facilitates Senate activities,” thus jamming up Senate operations.

Making Illegality Legal

As much as Reid’s announcement sent the lunatic right into ranting and raving, it was nothing compared to the response to Sen. Robert Byrd’s speech on the Senate floor on March 1. “The Framers of the Constitution envisioned the Senate as a kind of executive council; a small body of legislators, featuring longer terms, designed to insulate members from the passions of the day,” Byrd stated. “The Senate was to serve as a check on the Executive Branch, particularly in the areas of appointments and treaties, where, under the Constitution, the Senate passes judgment absent the House of Representatives. James Madison wanted to grant the Senate the power to select judicial appointees with the Executive relegated to the sidelines. But a compromise brought the present arrangement; appointees selected by the Executive, with the advice and consent of the Senate.”

Byrd stressed that the Senate “was never intended to be a majoritarian body,” but that this “was the role of the House of Representatives, with its membership based on the populations of states.”

“If we restrain debate on judges today,” Byrd asked, after reviewing the history of the filibuster in the Senate, “what will be next: the rights of the elderly to receive Social Security; the rights of the handicapped to be treated fairly; the rights of the poor to obtain a decent education? Will all debate soon fall before majority rule? . . . With no right of debate, what will forestall plain muscle and mob rule?”

Then came the portion of Byrd’s speech which drove Cheney & Co. crazy:

“Many times in our history we have taken up arms to protect a minority against the tyrannical majority in other



Sen. Robert Byrd: “If we restrain debate on judges today, what will be next: the rights of the elderly to receive Social Security? the rights of the handicapped to be treated fairly? the rights of the poor to obtain a decent education? Will all debate soon fall before majority rule?”

lands. We, unlike Nazi Germany or Mussolini’s Italy, have never stopped being a nation of laws, not of men.

“But witness how men with motives and a majority can manipulate law to cruel and unjust ends. Historian Alan Bullock writes that Hitler’s dictatorship rested on the constitutional foundation of a single law, the Enabling Law. Hitler needed a two-thirds vote to pass that law, and he cajoled his opposition in the Reichstag to support it. Bullock writes that Hitler was prepared to promise anything to get his bill through, with the appearances of legality preserved intact. And he succeeded.

“Hitler’s originality lay in his realization that effective revolutions, in modern conditions, are carried out with, and not against, the power of the State: the correct order of events was first to secure access to that power and then begin his revolution. Hitler never abandoned the cloak of legality; he recognized the enormous psychological value of having the law on his side. Instead, he turned the law inside out and made illegality legal.

“And that is what the nuclear option seeks to do to Rule XXII of the Standing Rules of the Senate.”

After illustrating what such a rule change would do to the Senate, Byrd pointed to its effect on the nation: “The President can simply rule, almost by Executive Order if his party controls both houses of Congress, and Majority Rule reigns supreme. In such a world, the Minority is crushed; the power of dissenting views diminished; and freedom of speech attenuated. . . .”

“Yes, we believe in Majority rule, but we thrive because the minority can challenge, agitate, and question. We must never become a nation cowed by fear, sheeplike in our submission to the power of any majority demanding absolute control.

“If we start, here, in this Senate, to chip away at that essential mark of freedom—here of all places, in a body designed to guarantee the power of even a single individual

through the device of extended debate—we are on the road to refuting the Preamble to our own Constitution and the very principles upon which it rests.”

Interesting in light of Reid’s quoting of Franklin on the monarchy-versus-republic, and Byrd’s warnings of the danger to the Constitution, was a column in the March 16 *Washington Times* by Harlan Ullman, a former Navy officer and conservative commentator perhaps best known for being one of the authors of the “Shock & Awe” doctrine. Ullman warned of the risk, that if the Republican majority in the Senate were to exercise the “nuclear option,” this could set off “a massive chain reaction that will create a political nuclear winter for Congress and the conduct of the nation’s business.”

The greatest fear, Ullman wrote, is that this one-party rule would transform the U.S. into a “de facto parliamentary system.” Perhaps, in the short term, he said, “a parliamentary type of government based on strict majority rule” would make sense. But what would probably happen, is that the minority, having no other path, would use civil disobedience to close down the government by obstructing the work of Congress. “Should Congress shut down, then the President and the Executive branch will become the de facto government without any check or balance.”

“Nothing less than the political future of the nation could be at stake,” Ullman declared.

Showdown Looms

The confrontation on Cheney’s “nuclear option” could come shortly after the Senate returns from the Easter recess. On March 17, the Senate Judiciary Committee voted out, on a party-line 10-8 vote, the nomination of William Myers to the 9th Circuit Court of Appeals. Committee chairman Arlen Specter had selected Myers’ nomination to go first, believing that this would be the easiest of Bush’s re-submitted nominations to get through, but at the March 1 hearing on the Myers nomination, Specter encountered much tougher opposition to the nomination than he was anticipating.

In covering the committee vote and the Democratic threat to again filibuster the Myers nomination, the *Washington Times* repeats the falsehood that “this is the first time that judicial nominees have been systematically denied a final vote by a minority.” This has been the GOP leadership’s line; for example, Senate Majority Leader Frist has been saying, “Never before has a minority blocked a judicial nominee that has majority support for an up-or-down vote on the Senate floor.”

But, as the March 18 *Washington Post* notes, Democrats have been pointing to the four-day 1968 filibuster by Republicans, which succeeded in blocking Lyndon Johnson’s nomination of then-Associate Justice Abe Fortas to become Chief Justice. In defending the filibuster at the time, then-Sen. Howard Baker of Tennessee stated: “On any given issue the majority at any time is not always right”—something which today’s GOP leadership would do well to remember.

LaRouche Tells Democrats

Don’t Let Shultz, Cheney Bully You Into Lying

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

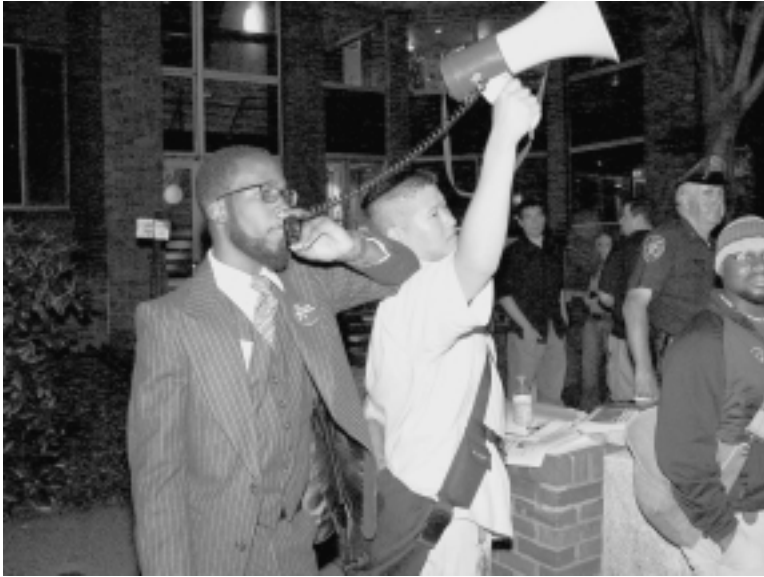
Q: Lyn, Democrats are undoubtedly unified on questions of domestic policy. But when we get into the realm of strategic policy and international policy, we’re dealing with a different kettle of catfish. I refer simply to just as an example, to the events of Friday [Feb. 18], when Joe Lieberman and John McCain entered this resolution to kick Russia out of the G-8.

Sid Blumenthal, among others, has pointed out publicly, that when we’re dealing with this administration, the fact is that Bush’s popularity was at an all-time low, prior to the events of 9/11. This is a fact that is not one that Bush, Cheney, and the people who control him do not recognize. They know that, under current conditions they need a new national security crisis, whether it be Iran, Syria, North Korea, China, or even Russia. And my problem is, that I’m not at all confident that we Democrats will respond with the same unity that we seem to be able to maintain on questions of domestic policy.

I don’t know exactly how to pose this question. And I don’t normally engage in “what ifs”: But, what if, they actually do this? What do we do? What do we do, if they try to change the subject? And how do we ensure unity among Democrats in meeting a challenge of this type, when there is no unity at this moment?

LaRouche: In a situation like that, where you’re faced with telling the truth, or lying by omission or statement, in order to avoid being rejected, there’s only one thing you can do: The enemy is trying to intimidate you into telling a lie. You should scare the hell out of him.

For example—and I’ve dealt with this: Let’s take the case of my record on this thing, because it’s relevant to the Democratic Party today. They have been opposing me. They opposed me on SDI. They were wrong. If we had had, if the Soviet government of Andropov had agreed to discuss with President Reagan, who was actually quite dedicated to this specific idea, then the discussion itself would have produced a change in the political situation inside the United States in the 1980s. And would have changed the world situation, so that the nightmare which threatens the planet



LaRouche Youth Movement leader Ed Hamler (left) tells Democrats at the 2004 Convention in Boston, what kind of leadership was needed to win the Presidential elections. But the party hacks shut LaRouche out . . . with the well-known consequences. If Democrats hope to give leadership in foreign policy, they have no choice but to listen to LaRouche.

today would not have come into existence.

Because of the lack of guts.

Now, what was the lack of guts? The lack of guts is centered in an institution which is called the Committee on the Present Danger, which has had several incarnations, including a present incarnation under the direction of George “No-Good” Shultz. And this idea has been the charge of “Ah! You’re pro-Communist! You’re soft on Communism! You’re soft on Communism! You’re soft on the Russians. You’re soft on the Soviets!”

Like fools, in the Congress and elsewhere, capitulated to Bush-Cheney et al. on the issue of going into the war in Iraq. The American people did it out of cowardice. How was this cowardice induced in the American people? By the people who orchestrated 9/11, which were not a bunch of Arabs. The bunch of people who were running whoever was involved in the operation.

This was, as I had forecast the danger, before the inauguration of the year 2001, is that because of the economic situation, that the Bush Administration would come up, soon, with what Hermann Goering did in setting fire to the Reichstag in 1933, which established the Hitler dictatorship. And we had a *very similar* phenomenon in 9/11. 9/11 introduced a state of terror, a state of disorientation in the U.S. population—not so much in the citizens of New York, but in other parts of the world, in the other parts of the United States. (New Yorkers are much more sophisticated than these dumb fools out in the Midwest and the South.)

This state of terror made it possible for Dick Cheney,

George Shultz, and company to launch a regime-change war in Iraq. There was no evidence to justify war. All the claimed evidence was a lie. And now they’re going to do the same thing all over again—in Syria, Iran, and North Korea and so forth, the so-called “outposts of tyranny.” Of which the White House is the principal representative, by the way.

So, the question is, do we have the *guts* to stand up? My point has been, I stood up. If I had not stood up, I can tell my fellow Democrats, they would be nowhere on any of the domestic issues of the United States, today. *We saved the Democratic Party, from absolute disgrace, by my having the nerve to do it.*

And what you have to do, is stand up and tell the truth.

Now, you have to tell the truth in a special way—and I can be very savage on this thing, and quite justifiably: I would say, “You dumb—. You idiot. You fool! Do you know what you’re really talking about? Do you know what the consequences are, of the policy you want us adopt? Do you know the international financial system is finished? Do you know you’re bankrupt? There’s

nothing you can do about it in your terms? Only on my terms? Do you want to escape the effect of a bankruptcy which will wipe you out? Well, come to my terms!”

You have to have a firm hand of leadership. And people have understood democracy to be sloppiness, cowardice, foolishness. You don’t have to be sloppy, foolish and cowardly to be a Democrat.

You can stand up on your hind legs, and tell this guy where to get off! And make it stick. You can go out on the hustings, as we are doing; you can issue pamphlets, as we are doing, through the youth movement, largely. You can do these kinds of things, we have done. And if we had more means, we would do more of them. The only chance of saving the existence of this nation, *is to do that.*

And you dummies, if you want to get frightened about foreign policy questions, well, you’re just going to go to Hell. And when you’re delivered there, you’re going to say, “How did I end up here? I’m such a good Christian?” Well, first of all, because you claim to be a Christian, you ain’t, and that’s blasphemy. And secondly, because, you’re such a cowardly fool, you deserve it.

So, the answer, essentially, is: you have a lack of courage, a lack of intellectual courage in the leadership of the Democratic Party. What we’ve demonstrated recently, over the recent period, the course of the past year 2004, and continue to demonstrate now, is that you can save a Democrat! God, You’re great! You can save a Democrat!

That’s the problem. Stick with the truth. But, sometimes you have to put spurs on it.

Probe Tightens Noose Around DeLay's Neck

by Michele Steinberg

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

The paragraph above could have been written on March 17, 2005, when the *Washington Post* headlined an article, “Probe of Abramoff and Nonprofits’ Money Opens,” and named Tom DeLay as a recipient of expensive trips financed by the National Center for Public Policy Review, a tax-exempt organization.

But the lead paragraph was not from last week, but from the Oct. 15, 2004 issue of *EIR*, in an article titled, “New Moves to Clean Up Congress Without DeLay,” by Anton Chaitkin. For the last six months, the major U.S. media have slavishly covered up for DeLay, but now, things are changing: Many in Washington, D.C. are saying that DeLay’s days are numbered, as the various scandals that have swarmed around him like annoying gnats, have become something much larger. A grand jury investigation in Texas is zeroing in on DeLay, and his daughter, Danielle DeLay, has already been subpoenaed in that investigation; and in Washington, *Republicans* are defecting from the Inquisition-style loyalty regime that has been imposed by Dick Cheney, Karl Rove, and DeLay himself, to open up probes of DeLay’s fundraising and lobbying activities.

The reason for this shift, said one well-placed Washington political source, is a changed Democratic Party, which has become much more of a coherent, opposition force than it was in the first George W. Bush Administration. And this concerted effort by Democrats to educate the public as to the “lockout” of the minority party from Congressional affairs, by the partisan dictatorship that is run by the White House to turn Congress into a rubber stamp, has caught on with the American people. This source explained that Republicans are beginning to defect from the forced loyalty in Congress, because sane Republicans would love to have Tom DeLay out of the leadership. They’d like to get him out of their way now, so that the scandals swirling around him, do not negatively impact the Republican Party’s 2006 mid-term elections, when they could lose control of the Congress.

Rips in the ‘Safety Net’

On March 15, DeLay’s “safety net” began to tear apart, when it was reported that Rep. Joel Hefley (R-Colo.), the former chairman of the House Ethics Committee, would co-sponsor a bill to repeal or revise changes which Republican leaders had made in the Ethics Committee procedures, in order to protect the very dirty Republican Congressman from Texas. The bill originated with Rep. Alan Mollohan (D-W.Va.), the ranking Democrat on the Committee.

As presently constituted, under the January 2005 rule changes that DeLay et al. rammed through, the Ethics Committee, which is made up of five Democrats and five Republicans, cannot act, even on flagrant violations such as DeLay’s, as long as the five Republicans oppose it. In co-sponsoring the Mollohan bill, Hefley was joining one other Republican, Christopher Shays of Connecticut.

Hefley was also the only Republican to vote, on March 15, for a resolution offered by House Minority Leader Nancy Pelosi (D-Calif.) calling for the speaker to appoint a bipartisan task force to make recommendations on the House ethics process.

Hefley had been dismissed as committee chairman at the end of the last Congress, in what is widely known as a “purge” of anybody who might be inclined to look objectively at the charges against DeLay, who needed protection from an Ethics probe because of an ongoing grand jury investigation in Texas.

As reported by Harley Schlanger in *EIR* March 18, three of DeLay’s Texas allies have already been indicted for illegal use of political campaign funds that led to Republican control of the state legislature. The vehicle for that operation was a group called Texans for a Republican Majority PAC (TRMPAC). The Texas group was modelled precisely on the notorious ARMPAC, Americans for a Republican Majority PAC, the national money-machine that made DeLay a juggernaut in Congressional races, especially in Texas. As *EIR* reported, new evidence surfaced in a civil suit that was heard in a Texas state court in early March, that showed that DeLay was far more involved in the TRMPAC case than he wants it known. Control of the Ethics Committee in Congress was essential for keeping the lid on the DeLay cases.

As if this weren’t enough, on March 17, following a week of almost daily scandals in the news media, about the shady money flows around long-time DeLay crony, lobbyist and moneyman, Jack Abramoff, the news surfaced in the *Washington Post* that the powerful Senate Finance Committee was investigating the Abramoff-DeLay activities.

So there it is: The Senate Finance Committee, led by Republican Chairman Charles E. Grassley (R-Iowa) and Sen. Max Baucus (D-Mt.), its top Democrat, is investigating the top Republican leader of the U.S. House of Representatives (and, the *real* leader, since House Speaker Dennis Hastert is just a figurehead). The Senate investigation



House Majority Leader Tom DeLay is under increasing attack for his blatant corruption, with a reinvigorated Democratic Party finally taking the gloves off.

concerns “allegations that lobbyist Jack Abramoff used nonprofit organizations to pay for a variety of improper activities, including overseas trips,” for DeLay and another Republican Congressman, Rep. Robert W. Ney (R-Ohio). One trip, a 2002 golf vacation in Scotland, also included Ralph Reed, former head of the conservative Christian Coalition and long-time lobbyist, who now heads the Georgia Republican Party.

Investigations Pile Up

The Congressional events of March 15 and 16, investigating DeLay, Abramoff, and Reed, and the possibility of a full investigation by an Ethics Committee, are just the latest in a series of exposés of DeLay’s conduct that began with a March 6, 2005 segment on “Sixty Minutes,” the award-winning TV show, that included an interview with Austin, Texas District Attorney Ronnie Earle. Earle has already obtained eight indictments against corporations, and against three individuals close to DeLay, in the political action committee TRMPAC, which he chaired. Earle dismissed DeLay’s claim that the indictments were political, and when asked if he is looking into DeLay’s himself, said, “We’re following the truth, and wherever that leads, that’s where we’ll go.” The statements reportedly raised the temperature on concerns among Republicans about DeLay.

But news of an FBI investigation, into the antics of Jack Abramoff in arranging for lavish trips for DeLay, hit Washington like a bombshell. On March 14, *Newsweek* released its March 21 issue, announcing the news of the FBI probe. “The FBI is trying to trace what happened to \$2.5 million in payments” to the National Center for Public Policy Research (NCPPr), which were “routed to accounts controlled by two lobbyists with close ties to House Majority

Leader Tom DeLay,” wrote *Newsweek* reporter Michael Isikoff.

Abramoff and his sidekick and partner, Michael Scanlon, a former top aide to DeLay, are already under investigation by the U.S. Senate Subcommittee on Indian Affairs, and several Federal agencies, for cheating and fraud in the multi-millions of dollars that they took from Native American tribes to set up legalized gambling on reservations.

But the NCPPr appears to be an angle that hits DeLay hard, and could be far more of a danger to his future than the TRMPAC investigation in Texas, Isikoff suggested.

There are two aspects of the NCPPr investigation reported in *Newsweek*: Abramoff maneuvered two of the Indian tribes he was “representing,” to give \$25,000 contributions to NCPPr in 2000, at the very same time that the NCPPr paid \$70,000 for a week-long “golf vacation” in Scotland for DeLay, his wife, and two aides. Abramoff was a member of the Board of Directors of the NCPPr. But investigators have found that the NCPPr paid over \$2.5 million to Abramoff and to a company owned by his sidekick, Scanlon, that was supposed to go for “educational” campaigns to tell the public how beneficial gambling has been for Indian tribes. Abramoff has now resigned from the NCPPr.

Internal e-mails from the group indicate that Abramoff and Scanlon did not produce any work product, or fully account for the \$2.5 million they received, says *Newsweek*, adding that the group, which is a tax-exempt 501(c)3 charitable organization, is cooperating with the FBI in the probe of Abramoff.

Republicans are now ready to talk—at least anonymously—about DeLay, and, behind the scenes, may be preparing a showdown to dump “The Hammer,” as he is known in Congress.

“If death comes by a thousand cuts,” then Tom DeLay is already “into a couple of hundred. It’s getting up there,” one Republican consultant told the *Washington Post* March 14. The Republican wanted to remain anonymous because of his connections to the party.

Among the new scandals about DeLay, is the charge that he accepted trips from the Korea-U.S. Exchange Council, which is a registered foreign agent for South Korea. It is a violation of House rules for a member to accept gifts from a foreign agent. It was also exposed on March 17 that Rep. Lamar Smith (R-Texas), who was made head of the Ethics Committee, served as co-chairman of the Texans for a Republican Majority PAC (TRMPAC) fundraising meeting back in 2002.

Meanwhile, six Republicans contacted by the *Post* said that the “volume” of exposés about DeLay is “alarming,” and they see no indication that the negative stories are abating. This could hurt the interests of the party, they say. Meanwhile, DeLay, House Speaker Hastert, and other die-hards insist that all DeLay’s problems are coming from “partisan Democrats.”

That excuse is no longer working.

\$82 Billion War Supplemental Passed

On March 16, the House passed, by a vote of 388 to 43, a supplemental appropriations bill to cover the costs of the wars in Iraq and Afghanistan through September 2005. While the House Appropriations Committee made some minor changes to the bill, some increases in military accounts, and decreases in international relations provisions, passage of the funding was never an issue. The issue that dominated the debate was the unwillingness of the Bush Administration, and the Defense Department, to submit themselves to oversight. That concern was not limited to Democrats, either.

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

Rep. Jim Leach (R-Iowa), who endorsed Tierney's amendment from the floor, and is co-sponsoring a stand-alone bill that does the same thing, told

the House, "I personally believe that the only way you can maintain support for national policy, however, controversial, is to have complete confidence that things are being pursued in the most honest way possible." Tierney's amendment was allowed to the floor, but declared out of order because it constituted legislation on an appropriations bill.

Senate Votes Up Bankruptcy Reform Bill

Credit card issuers and banks won a major victory on March 10 when the Senate voted 74 to 25 to pass a bill that will force more bankruptcy filers to pay some portion of their debt. The bill had long been favored by the banks, which want everyone to believe that anyone who files for bankruptcy is trying to shirk their obligations. They successfully transmitted that attitude to Republican members of the Senate, all 55 of whom voted for the bill. Millions of dollars in campaign contributions apparently greased the skids. More than 60% of \$44 million in contributions made by banks and retailers in 2004 went to Republicans, according to data compiled by the Center for Responsive Politics.

The bill was largely the product of deals negotiated behind closed doors, and the Senate GOP leadership successfully enforced those deals on the Senate floor, by defeating numerous amendments that would have eased the impact on debtors, especially those with large medical-related debts.

Sen. Byron Dorgan (D-N.D.) noted this aspect of the process, just before the final vote on passage. He noted a number of amendments that had been offered by the Democrats that would have eased the rules for military reservists called to active duty, people forced into bankruptcy by medical-related debt, and victims of

identity theft. "We have not heard good arguments for why these amendments should have failed," Dorgan said, except that "they want to avoid displeasing the House of Representatives."

The Republicans also apparently want to avoid offending President Bush, who has promised to sign the bill if it gets to his desk without amendments.

Highway Bill Faces Threat of Veto

On March 10, the House voted 417 to 9 for a \$284 billion, six-year transportation bill which will provide funds for highways and transit programs. According to House Transportation Committee chairman Don Young (R-Ak.), the bill address congestion problems, highway safety, improving the movement of freight, and other related infrastructure. The bill, however, is much smaller than most of its supporters wanted. Last year, the House had passed a bill worth \$375 billion, and the Senate \$318 billion, in the face of White House veto threats against anything larger than \$256 billion. This year, the Bush budget calls for a bill of \$284 billion, which the House squeezed itself into, but the bill includes a provision that allows the Congress to reconsider state funding allocations in 2009, which drew a veto threat from the White House.

Rep. Rob Petri (R-Wisc.), the chairman of the Highways, Transit, and Pipelines Subcommittee, told the House that the failure to meet the transportation needs of the country is "shortsighted," and that Democrats and Republicans alike "can and should support a strong infrastructure program that pays back so much in terms of economic development, international competitiveness, safety, mobility, and improved quality of life."

Nazis, Operation Condor, and Bush's Privatization Plan

by William F. Wertz, Jr.

President George W. Bush has made it clear that the model for his current drive to privatize social security in the U.S. is the privatization of social security which was implemented in Chile under the fascist dictatorship of Gen. Augusto Pinochet in 1981 by his Labor Minister José Piñera.¹ As Lyndon LaRouche has warned, if Bush succeeds, it will be a foot in the door for fascism. This is no exaggeration, as we shall prove.

The murderous policies which the George Shultz-Henry Kissinger faction in the United States supported in Chile under Pinochet, including torture, assassination, and mass murder, directly involved the first-generation Nazi war criminals who were smuggled out of Europe after World War II, via the so-called "rat-lines" to South America, organized by the Allen Dulles-James Jesus Angleton Anglophile faction of the U.S. intelligence community. Next came the creation of a second generation of the Fascist International during the 1970s, in which Spanish fascist Blas Piñar played a central role. Today, the same Blas Piñar is now involved in the creation of a third generation of the Nazi International, in service to George "Hjalmar Schacht" Shultz and his Bush Administration.²

While in Chile in April 2001, Bush said: "I think some

1. When José Piñera was Chilean Labor Minister (1978-80) under Pinochet, he set out to destroy the organized labor movement, as an institutional pole of resistance to Pinochet's fascist economic policies. He eliminated the minimum wage and collective bargaining, and restricted the right to strike. When he was finished, less than 10% of the Chilean work force was unionized. The same policies are now being implemented in Mexico by Labor Minister Carlos Abascal Carranza, the son of Salvador Abascal, the 1940-41 chief of the Nazi-instigated Mexican National Synarchist Union. In 1997, the same year Piñera helped impose privatized Social Security in Mexico, he visited then-Texas Gov. George W. Bush to promote Social Security privatization.

2. See William F. Wertz, Jr. "The Ibero-American Solidarity Movement; Anatomy of a Fascist Intelligence Operation," *EIR*, Feb. 25, 2005.

members of Congress could take some lessons from Chile, particularly when it comes to how to run our pension plans. Our Social Security system needs to be modernized." More recently, when in Santiago, Chile for the APEC summit from Nov. 19-21, 2004, Bush reiterated: "Chile provides a great example for Social Security reform."

Bush's timing was very poor. On Dec. 13, 2004, the Supreme Court of Chile ruled that Pinochet is mentally competent to stand trial on charges of kidnapping and murder (something which could not be said of George W. Bush). In January 2005, Juan Manuel Contreras Sepulveda, who headed up Pinochet's Directorate of National Intelligence (DINA) and the Operation Condor death squad campaign, was arrested to begin serving a 12-year sentence for murder.

The economic policies implemented in Chile under Pinochet after his coup d'état against Chilean President Salvador Allende in 1973, including the privatization of social security, were the radical free-trade policies of George Shultz, who was dean of the University of Chicago Graduate Business School from 1962-68. In fact, the Subdirector of the Interior of DINA was responsible for supervising an Economics Section and an Economic Brigade, designed to enforce the policies of Shultz's Chicago Boys.

Chile was in effect a laboratory experiment for the Schachtian policies Shultz has been attempting to implement on a global scale since 1971.

The two key figures in the Nixon Administration responsible for the Pinochet coup in 1973 were Shultz and Henry Kissinger. In 1971, Shultz advised Nixon to dismantle President Franklin D. Roosevelt's post-World War II Bretton Woods economic system. In 1974, shortly after the Pinochet coup, Kissinger authored a national security study memorandum (NSSM-200) which defined U.S. policy as global raw

materials control and genocidal population reduction in the Third World. This memorandum essentially codified as U.S. policy the original intent of the Chilean experiment in fascism.

Today Shultz is the architect behind the current Bush Administration. It was he who selected Dick Cheney and Condoleezza Rice and the so-called “Vulcans,” who molded the first Bush Administration. Shultz is also the mentor of that second would-be Austrian dictator, Arnold Schwarzenegger, whose father was a Nazi and who himself has expressed his admiration for Adolf Hitler. And it is Shultz who is ultimately behind the attempt on the part of the second Bush Administration to implement the Chile model in the United States, in a desperate attempt to bail out a bankrupt financial system by looting the Social Security Trust Fund. (See box.)

Kissinger, like Shultz, favors Anglo-Dutch free-trade policies in opposition to the American System of political econ-

omy. Kissinger made his hostility to the American System evident in his speech at the London-based Royal Institute for International Affairs on May 10, 1982, in which he rejected Roosevelt and expressed his admiration for Churchill, who launched the anti-communist Cold War. It was this Cold War which became the basis for the Pinochet coup and the rationalization for the murderous Nazi policies which Pinochet carried out, in order to eliminate opposition to the free-trade policies Shultz’s Chicago Boys advised him to implement.

Just as the fascist economic policies of Nazi Economics Minister Hjalmar Schacht could not have been implemented in Germany in the 1930s without Hitler, so the fascist economic policies of George Shultz’s Chicago Boys required the murderous policies of Pinochet in Chile. Pinochet, like Hitler, was the creation and instrument of an Anglo-Dutch synarchist banking faction to impose genocidal austerity. Nor can the attempt today to impose the Chilean model of privatization of

George ‘Schacht’ Shultz

By family history and profession, George Pratt Shultz is well-suited for his role as today’s foremost promoter of Schachtian fascism.

Shultz’s father, Birl Earl Shultz, served as personnel director of the American International Corporation, of 120 Broadway, New York City, an investment conglomerate and intelligence operations center for major Wall Street financial houses, known as the Anglo-Soviet “Trust.”

Shultz’s mother was Margaret Lennox Pratt, the granddaughter of Charles Pratt (1830-91), who was a partner of John D. Rockefeller after merging his oil company, Charles Pratt and Company, with Rockefeller’s Standard Oil in 1874. His son, Shultz’s grandfather Charles Millard Pratt (1858-1933), was treasurer of Standard Oil, which during the 1920s entered into a cartel agreement with I.G. Farben, the company that promoted Hitler and ran the Nazis’ war mobilization. During World War II, Standard Oil of New Jersey continued to supply oil to the Nazis through shipments to fascist Spain. In 1947, Judge Charles Clark ruled that “Standard Oil can be considered an enemy national in view of its relationship with I.G. Farben after the U.S. and Germany had become active enemies.”

Charles M. Pratt bequeathed his New York mansion, the Harold Pratt House, to the New York Council on Foreign Relations. George Shultz was a director of the CFR for many years.

Bechtel Corp., the company of which Shultz was president and director for eight years and of which he is cur-



George Shultz’s family tree is full of pro-Nazis, so it’s not surprising that he’s carrying on in that tradition.

rently senior counsel and board member, was financed by Schroeder, Rockefeller, and Company. The latter company, founded in 1936, included among its partners Avery Rockefeller; Baron Bruno von Schroeder in London; and Kurt von Schröder of the Nazi-controlled Bank for International Settlements (BIS) and of the Gestapo in Cologne. Its lawyers were Allen and John Foster Dulles.

Henry Pratt Judson was the president of the Rockefeller-established University of Chicago. George Shultz later became the dean of its Graduate Business School. His “Chicago Boys” advised Chilean dictator Augusto Pinochet, whom Shultz had helped install in power.

—William F. Wertz, Jr.

Social Security in the United States be accomplished without resort to fascist methods.

Since Sept. 11, 2001, the Bush Administration has adopted in its “War on Terrorism” precisely the same fascist police-state methods employed by Pinochet in Operation Condor. Alleged terrorists have been apprehended and kept incommunicado without legal recourse; while detained they have been subjected to torture either by U.S. agents, or by our “allies” through a policy called “rendition”; the number who have been “disappeared” by Donald Rumsfeld’s “hunter-killer” death squads is unknown. And now Bush has nominated John Negroponte to be National Intelligence Director. Negroponte, who was U.S. Ambassador to Honduras (1981-84), was complicit in the activities of death squads in that country during the period in which Operation Condor was operative in Central America.

ITT and the Nazi Cartel behind Pinochet

President Franklin Roosevelt had intended to end colonialism and utilize American System methods of economic development after the war, but this was reversed after his death by the British and the Truman Administration. In the case of Ibero-America, the United States, acting under the influence of Allen and John Foster Dulles, who had been the attorneys for the Anglo-American-Nazi cartels in the 1920s and 1930s,³ supported fascist dictatorships and carried out covert operations to prevent the election of anyone who threatened the interests of the financial oligarchy.

In the case of Chile, the initiative to prevent the election of Salvador Allende as President was taken by International Telephone and Telegraph (ITT), one of the key international cartels that had worked with the Nazis before and during World War II.

In 1970, weeks before Allende’s election, ITT board member and former CIA director John McCone called CIA director Richard Helms and proposed ITT-CIA collaboration to block Allende. On Sept. 11, 1970, McCone, Helms, and Kissinger held a meeting in which ITT offered \$1 million “for the purpose of assisting any [U.S.] government plan . . . to stop Allende.”

Like Standard Oil, ITT has a history of collaboration with the Nazis. Prior to World War II, Sosthenes Behn, the American chief of ITT, and Gerhardt Westrick, the head of ITT in Germany and an associate of John Foster Dulles, appointed both Walter Schellenberg, head of the Gestapo’s counterintelligence service (SD) and Baron Kurt von Schröder, Hitler’s private banker and a member of the Gestapo, to the board of directors of ITT in Germany, to ensure the company’s continuing existence there during the upcoming war.

Throughout World War II, the American ITT corporation remained in a partnership with the Nazi government. The

German branch of ITT provided the German Army, Navy, and Air Force with telephones, air raid warning devices, radar equipment, fuses for artillery shells, etc.

Chilean Nazi Precedents

The social base of the Pinochet dictatorship— and its allied dictatorships in Ibero-America, which became the Operation Condor alliance—was the Nazi apparatus which existed in Chile and the rest of Ibero-America before and during World War II.

During World War II, Chile, like Argentina, was originally neutral. Despite considerable Allied pressure, Chile maintained diplomatic relations with Germany, Japan, and Italy. Only in 1943 did Chile break relations with the Axis powers, and not until a few months before their surrender in 1945 did Chile actually declare war.

The Chilean Nazi Party was established in 1932. Its members included both Chileans of German background as well as non-German right-wing Chileans. The party adopted the swastika, stormtrooper uniforms for its activists, and the greeting “Heil Chile!”

The official Nazi presence in Chile was extensive. There were eight consulates for a country of barely 5 million people. Secret radio transmitters up and down the Pacific coastline reported on Allied shipping movement.

Although this Nazi movement was not strong enough to prevent Chile from breaking relations with the Axis powers, after the war it provided a safe haven for German Nazis and other European fascists who escaped on the Nazi rat-lines via Argentina.

Nazi War Criminals Rauff and Barbie Advised Operation Condor

The two key Nazi war criminals who played a direct role in Operation Condor were Walter Rauff and Klaus Barbie. After the Pinochet coup in 1973, Rauff became one of the key advisors to Pinochet’s DINA. During World War II Rauff was the SS officer responsible for overseeing the development of mobile gas vans, which were used to execute as many as 250,000 Jews. Rauff was the head of the Milan Sicherheitsdienst (SD), the elite intelligence service, which made him the chief SS security officer for all of northwest Italy. In that position he assisted SS Gen. Karl Wolff in the Operation Sunrise separate peace negotiations with Allen Dulles, who was the station chief of the U.S. Office of Strategic Services (OSS) in Bern, Switzerland.

When the German Army in Italy surrendered on April 29, 1945, Rauff was released, despite his involvement in war crimes, to the custody of “S Force Verona,” an OSS unit working with the British-American “Special Counter Intelligence” team in Italy (SCI-Z), headed by James Angleton, who was a protégé of Allen Dulles. This was done over the objections of the U.S. Army’s Counter Intelligence Corps (CIC), who called him “an unrepentant Nazi” and recom-

3. See William F. Wertz, Jr., “The Plot Against FDR: A Model for Bush’s Pinochet Plan Today,” *EIR*, Jan. 21, 2005.



Walter Rauff, the former Nazi SS officer whose mobile gas vans were used to kill 250,000 Jews, became an advisor to Pinochet's DINA secret police.

mended lifetime imprisonment, if not execution.

In 1943, Rauff had become a close friend of Bishop Alois Hudal, an Austrian, who was the key person within corrupt circles in the Catholic Church involved in organizing the Dulles-Angleton Nazi rat-lines after the war. After his release to "S Force Verona," Rauff was sheltered in the convents of the Holy See by Msgr. Don Giuseppe Bicchierai, secretary to the Archbishop of Milan, Cardinal Ildebrando Schuster, who had actively supported the Mussolini regime.

In 1948, Rauff was moved to Damascus, Syria where he had the position as a technical advisor to the secret police and chief bodyguard of the President. In 1949, the rat-lines arranged his transfer to Ecuador, after which he settled in Chile. In 1962, the West German government requested his extradition, but the Supreme Court of Chile ruled that since his crimes were "essentially political in nature," he could not be extradited. The ruling was upheld in 1973, just before the coup against Allende.

The other major Nazi war criminal who participated in Operation Condor was Klaus Barbie, the "Butcher of Lyon." Barbie was protected by and worked for the Dulles faction of U.S. intelligence in Germany until 1951, when he was smuggled via the Nazi rat-lines to South America, where he played a critical role in Operation Condor.

Barbie joined the Hitler youth movement on April 2, 1933. In 1935, he joined Himmler's SS and shortly thereafter became a member of the elite SD security service, where was trained as an investigator and interrogator—i.e., torturer. In 1937, he joined the National Socialist German Workers Party (NSDAP, the Nazi Party). In 1940, he went to Amsterdam where he served in the Central Bureau for Jewish Emigration, rounding up the city's Jewish population for deportation. In 1943, he was deployed to Lyon, France to eradicate the French Resistance. There he was chief of Section VI, Intelligence and Section IV, the Gestapo. He was responsible for the tor-

ture and death of more than 26,000 people. For the arrest, torture, and death of French Resistance leader Jean Moulin, he was awarded the "First Class Iron Cross With Swords" by Hitler himself.

After the war, Barbie fled from France back to Germany, where he worked for the British until April 1947, when he was recruited by the Dulles-controlled faction of the U.S. Counter Intelligence Corps (CIC). He was described by Robert S. Taylor, the CIC officer who recruited him, as "an honest man, both intellectually and personally, absolutely without nerves or fear. He is strongly anti-Communist and a Nazi idealist, who believes that he and his beliefs were betrayed by the Nazis in power."

On March 22, 1951, Barbie was smuggled from Germany through Austria to Genoa by the CIC, from which point he was shipped to Argentina and finally to Bolivia.

In 1952, and again in 1954, the Military Tribunal of Lyon, France sentenced him to death *in absentia*. But the Dulles faction of the U.S. intelligence community, which had smuggled him out of Germany, continued to protect him from the French. In 1957 Barbie obtained citizenship in Bolivia, under the alias Klaus Altmann.

In 1964, when Bolivian dictator Víctor Paz Estensoro was replaced in a coup organized by Gen. René Barrientos Ortuno, Barrientos placed Barbie in charge of the Bolivian internal security forces, which planned and carried out counterinsurgency operations.

Barbie started the Estrella Company, which sold bark, coca paste, and assault weapons to former SS officer Friedrich Schwendt⁴ in Lima, Peru, who in turn worked closely with Walter Rauff in Chile. Schwendt and Barbie formed Transmaritania, a shipping company that also generated millions of dollars in profits from the cocaine business. They purchased their weapons via Hitler's commando, Col. Otto Skorzeny, whose former subordinate Maj. Gerhard G. Mertins had started the Merex weapons business in Bonn, West Germany in 1963.

In 1970, Hugo Banzer Suárez organized another coup in Bolivia to replace Gen. Juan José Torres. Barbie stayed on with the new dictatorship and was paid \$2,000 a month for consulting services. In 1971, he was positively identified, but the Bolivian government under Banzer refused to extradite him on the grounds that he was a Bolivian citizen.

Then in 1980 yet another coup took place in Bolivia, this time organized by Gen. Luis Arce Gómez. He hired the services of Italian fascist and Operation Condor operative Stefano Delle Chiaie, who along with Barbie, sent their hooded troops through Bolivian cities. The next day General García-Meza was picked as the new Bolivian dictator. He selected Barbie as head of the country's internal security division, and

4. Friedrich Schwendt was a Nazi counterfeiter, who worked closely with both Walter Rauff and Klaus Barbie. Schwendt was based in Lima and worked for the CIA in planning the abortive Bay of Pigs invasion of Cuba.



Klaus Barbie, the Gestapo's "Butcher of Lyon" during World War II, fled to Bolivia via the Nazi "rat-lines," where he became chief of security, overseeing counterinsurgency during Operation Condor. He was finally brought to justice in 1987.

Delle Chiaie was picked to secure support for the regime from Argentina, Chile, South Africa, and El Salvador.

Delle Chiaie was the protégé of Italian fascist Prince Valerio Borghese⁵, and is known to have been an operative of Manuel Contreras, who headed up Operation Condor under Pinochet. As a youth, Delle Chiaie was a member of the Italian fascist organization MSI. In 1957, he left the MSI to join the New Order. Then in 1960 he formed the National Vanguard. In 1969, Delle Chiaie was convicted for the Piazza Fontana Italian terrorist bombing which was part of an attempted coup d'état by the Propaganda Two freemasonic lodge. Following the 1980 Bologna train station bombing in which over 80 people were killed, Delle Chiaie fled to Bolivia, one of the original six Ibero-American nations which participated in Operation Condor from 1975-83. There, his immediate superior was Klaus Barbie.

In 1983, Barbie was finally deported to France where he was tried in 1987 and sentenced to life imprisonment for his crimes against humanity. He died of cancer in prison in 1991.

Preparation for the Coup against Allende

Having thus situated Operation Condor in the historical context of the Nazi rat-lines run for the Anglo-American-

5. Borghese had been sentenced to death for war crimes by the Italian Resistance at the end of World War II. On April 29, 1945, he was rescued by James Jesus Angleton. In May 1974, Borghese made a pilgrimage to Chile to pledge his assistance to Pinochet.

Nazi cartels by the Dulles brothers, we now turn to the 1973 Pinochet coup in Chile, and the subsequent creation of Operation Condor.

As reported above, under pressure from ITT, the Nixon Administration decided to prevent Salvador Allende from becoming President in 1970, even though Allende had won a plurality in the elections on Sept. 4. Under the direction of Kissinger, who was at first Nixon's National Security Advisor and later his Secretary of State, the White House instructed the CIA to launch a two-track policy. Track I entailed a scenario to induce the Chilean Congress to "constitutionally" block Allende from being ratified on Oct. 24. Track II was a military coup.

The means used to try to stop Allende at this point, included "economic warfare," "political warfare," and "psychological warfare." The CIA station was also ordered to consider instigating "terrorist" activities that might provoke Allende's followers to respond in such a way as to favor a coup.⁶ In fact, an Oct. 6 CIA status report noted that the station had contacted "a representative of an anticommunist group intent on organizing terrorist activities." This was the neo-fascist group Patria y Libertad, which after the coup would provide recruits for DINA and Operation Condor. Between 1970 and 1973, the CIA funneled \$38,500 to Patria y Libertad.

The main impediment to a coup was the fact that Gen. René Schneider, the Chilean commander-in-chief, was a strong constitutionalist who opposed military intervention in domestic politics. The CIA decided upon a plot to kidnap him and fill his post with a military figure favorable to a coup. The kidnapping was to be blamed on leftist extremists.

However, when the kidnapping was attempted, Schneider was assassinated instead. Rather than fostering a coup environment, the action produced an overwhelming vote for Allende in the Congress, and political repudiation of violence in the country.

But Track II did not stop there. Under NSDM 93, signed by Kissinger, the United States committed itself to a massive campaign of economic and financial warfare against the incoming Allende regime. Although it is often argued by supporters of Pinochet that Allende's economic policies ruined the economy of Chile, this was not the case. The Chilean economy was destroyed from the outside, by the economic hit-men working for George Shultz. In 1970, the Inter-American Development Bank (IDB) loans approved before Allende's election totaled \$46 million; following the election only two loans, totaling \$2 million, were approved until after the military coup. The World Bank, which had provided \$31 mil-

6. This is the same ploy used by Hitler to consolidate his power in 1933. The Nazis burned down the German Parliament (Reichstag) and blamed it on communists. Hitler then forced through a decree which established his Emergency Rule. Lyndon LaRouche has also compared the terrorist attack on the United States on Sept. 11, 2001 to the Reichstag Fire, which has been used by the controllers of President George W. Bush, such as Vice President Dick Cheney, to attempt to consolidate a fascist regime.

lion in loans to the Frei government in 1969-70, approved zero loans between 1971 and 1973. Bilateral U.S. assistance, administered through AID, reached \$110 million between 1968 and 1970; from 1971 to 1973 the figure dropped to \$3 million. The U.S. Export-Import Bank, which had provided some \$280 million in loans and credits between 1967 and 1970, granted zero in 1971.

The covert action program against Allende focussed on five elements: 1) divide and weaken the Allende coalition; 2) enlarge contacts in the Chilean military; 3) provide support to non-Marxist opposition political groups and parties; 4) assist anti-Allende periodicals and media outlets; and 5) play up Allende's alleged subversion of the democratic process and the involvement of Cuba and the Soviet Union in Chile.

By Sept. 11, 1973 the plans for the coup were in place. In late August, Commander-in-Chief Carlos Prats, who, like General Schneider, opposed military intervention as unconstitutional, was forced to resign. He was replaced by Gen. Augusto Pinochet. Pinochet was chosen to be head of the junta that was to carry out the coup.

The Creation of DINA

The Nazi methods which Pinochet intended to use in crushing the opposition were immediately evident. On Sept. 20, the CIA station reported, "thus far, 4000 deaths have resulted from the 11 September 1973 coup action and subsequent clean-up operations." In early October, Pinochet set in motion "the Caravan of Death," to murder political prisoners in the northern provinces. The actions of this death squad portended the creation of a Chilean secret police agency, DINA. In fact, four members of the Caravan death squad were transferred to the new intelligence agency after it was secretly authorized.

Although DINA was officially created on June 14, 1974, its origins dated back to a "DINA commission," created after the coup in November 1973 and led by Lt. Col. Juan Manuel Contreras Sepulveda. DINA began operations as a unit hidden within the National Executive Secretariat for Detainees (SENDET), which was created in December 1973. By February 1974, DINA had an estimated 700 agents and officials drawn from the ranks of the police, army, and the paramilitary legions of Patria y Libertad. U.S. intelligence dates the appointment of Contreras to head the DINA to Feb. 24, 1974, and the CIA began collaborating with DINA soon after it was created.

Under Contreras's command, DINA maintained a web of secret detention and torture facilities in Santiago and throughout the country, which "disappeared" hundreds of Chileans.

One Chilean military officer told the U.S. defense attaché that DINA used a system of interrogation "straight out of the Spanish Inquisition." Other Chilean military authorities told the U.S. defense attaché that they thought DINA was becoming "a modern-day Gestapo." This is no wonder, given the fact that DINA was advised by former SS officer and Nazi

war criminal Walter Rauff.

Nonetheless, Contreras had a reputation for being a devout Catholic, and a good family man, a *beato*, who was fervent to the point of sanctimoniousness, a character trait he undoubtedly shared with the Spanish Grand Inquisitor Tomás de Torquemada (1420-98).

Even before the creation of Operation Condor, DINA included an Exterior Brigade, whose purpose was to forge alliances with other secret police forces, as well as violent anti-communist and neo-fascist groups, for the tracking of Pinochet's opponents abroad and for organizing acts of terrorism against prominent exiles. In the Spring of 1974, DINA established its first station in Buenos Aires. Subsequently, an undercover agent was based at the Chilean Embassy in Madrid, Spain. The Brigade drew its staff from Chilean military personnel and from Patria y Libertad. Its most famous member was American-born Michael Vernon Townley, who in December 1970 had attempted to become an agent of the CIA, apparently without success.

The connection between the fascist police-state methods of DINA and the economic policies of the Shultz's Chicago Boys is underscored by the fact that DINA's Subdirector of the Interior was responsible for supervising an Economics Section, the task of which was to monitor "the activities of public and private business/economic interests to insure compliance with government economic policy." For this purpose, the Subdirector of the Interior was responsible for the Economic Brigade, which was "responsible for field operations related to the monitoring of public and private sector business/economic activities." (See **Figure 1**.)

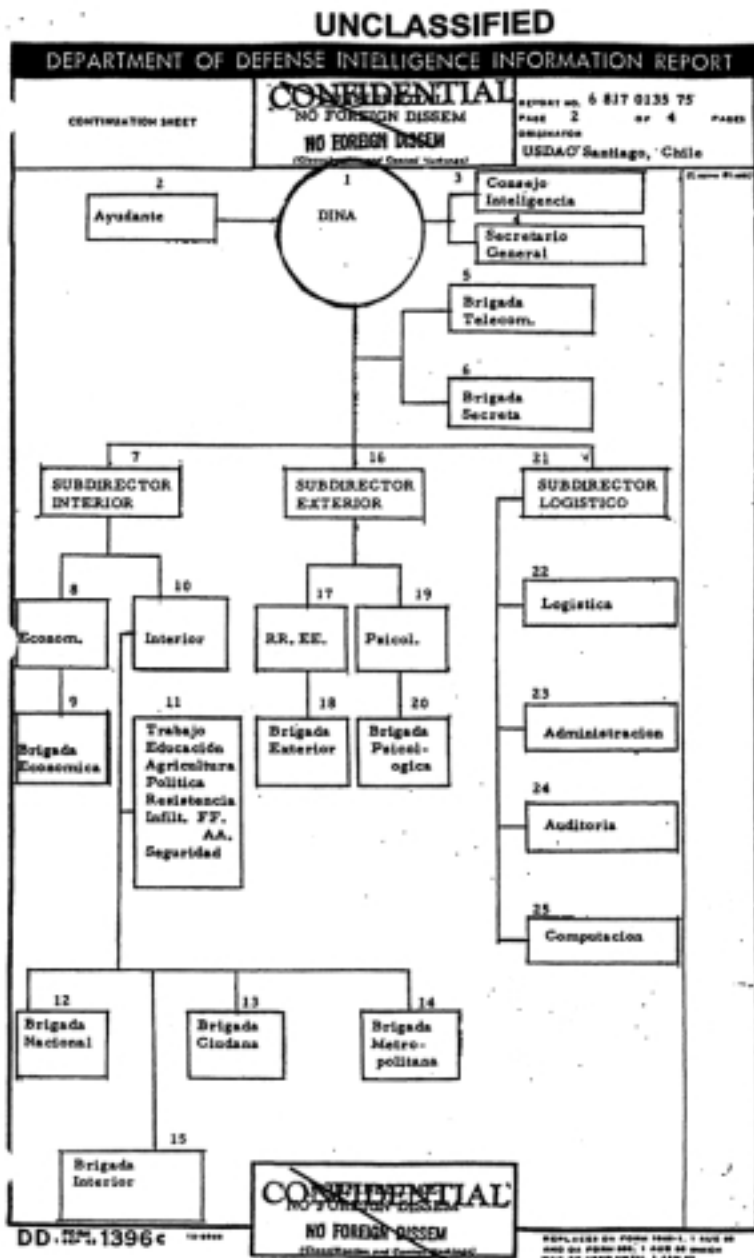
Pinochet's Consolidation of Power

After the coup, the U.S. immediately moved to support the Pinochet dictatorship. The "invisible blockade" was lifted by reopening the spigot of economic assistance to Santiago. In Fiscal Years 1975 and 1976, Chile received 80% of all Title I Food for Peace assistance to Ibero-America. The Inter-American Development Bank granted \$237.8 million in loans during the first three years of Pinochet's rule, while the World Bank authorized \$66.5 million from 1974 to 1976.

By the Summer of 1974, the CIA's operations focussed on "liaison relationships" with Chile's security services. Shortly after the DINA was created, CIA deputy director Gen. Vernon Walters arrived in Santiago to confer with Pinochet about CIA assistance. Contreras and the CIA station chief, Stuart Burton, who arrived in the Spring of 1974, were in a very close relationship, and Contreras received an invitation to come to Washington on March 4, 1974 to meet with Walters and officers of the CIA's Western Hemisphere division. In August 1974 a team of eight CIA specialists arrived in Santiago to train DINA officers.

In the late Spring of 1975, CIA station chief Burton lobbied for Contreras to become a paid agent. After another meeting with Walters on July 5, 1975, Contreras received what

FIGURE 1
Organizational Chart of Chile's DINA Secret Service



Of special note are departments 8 and 9, dealing with economic operations: The Economic Section was “responsible for monitoring the activities of public and private business/economic interests to insure compliance with government economic policy,” which was dictated by George Shultz’s Chicago Boys.

the CIA later claimed was a “one time only” payment. (CIA security files on Contreras were destroyed in 1991.) Records from Riggs Bank show that on July 21, 1975, a \$6,000 deposit was made to Contreras’s personal account in Washington—“from an unknown source.” On Aug. 25, Contreras again met

with General Walters.

Walters, who was deputy director of the CIA from 1972-76, was ideologically close to the Pinochet government, as evidenced by the fact that he later served both on the Board of Directors and the Advisory Board of the pro-Franco, pro-Spanish Inquisition Christendom College, in Front Royal, Virginia, which was established in 1977. It is also coherent that when the Pinochet regime came under increasing attack for its Nazi methods, DINA organized a fictitious “public committee” called the American-Chilean Council, between March 1975 and December 1978, to influence the media and U.S. Congress. The ACC was the brainchild of William F. Buckley, Jr., whose brother-in-law L. Brent Bozell was a founder of Christendom College. Buckley himself had been instrumental in the founding of the World Anti-Communist League in 1966.⁷ In 1992, Vernon Walters received the Christendom College Medal for Distinguished Service in International Relations.

The Creation of Operation Condor

In October 1975, Contreras invited his counterparts in the Southern Cone to an all-expenses-paid First Inter-American Meeting on National Intelligence. The six nations which attended were Argentina, Bolivia, Brazil, Chile, Paraguay, and Uruguay. The meeting took place on Pinochet’s 60th birthday in Santiago, Chile on Nov. 25.

Just days prior to the conference, Pinochet, Contreras, and at least 50 DINA members had attended the funeral of Gen. Francisco Franco in Madrid, during which they had met with Stefano Delle Chiaie of the fascist Avanguardia Nazionale (National Vanguard) in Italy, Croatian terrorists, and fascists from other parts of Europe. Delle Chiaie, two other Italians from his group, and Virgilio Paz of the Cuban Nationalist Movement then travelled to Santiago, where they functioned as a DINA operational cell.

During the funeral in Madrid, Pinochet and Contreras met with Blas Piñar, who in 1966 had founded the fascist New Force in Spain, with the idea of “keeping alive the ideals of July 18, 1936”—Franco’s fascism—and in 1976 would

7. On Feb. 2, 2005, Buckley wrote an editorial in *National Review* on the subject of Pope John Paul II’s recent illness: “I hope that he will not recover. . . . So, what is wrong with praying for his death?” This editorial is totally reflective of the Nazi mentality of those who put Pinochet in power and defended Operation Condor as necessary to save their anti-Christian version of Torquemada-Christianity against Godless Communism.



Gen. Vernon Walters, as CIA deputy director and later as U.S. ambassador-at-large in George Shultz's State Department, coordinated U.S. relations with Operation Condor. He met on numerous occasions with Chilean DINA chief Juan Manuel Contreras, who ran the death squads.

participate in the founding of the Fascist International in Rome.

The meeting in Santiago concluded with the formation of Operation Condor.⁸ At this point, Brazil only attended as an observer and did not formally join until 1976. Nonetheless, there were numerous reports that DINA received U.S. support conduited through Brazil, a country with which Vernon Walters was closely connected.

Contreras outlined his proposal for three phases of coordination. The first called for the creation of a Coordinating Center in Chile to gather and exchange information on individuals and organizations engaged in "subversion." Phase two included operations against targets inside the six member nations, including the dissemination of "disinformation," psychological warfare, torture, and assassination. Phase three was to include surveillance and assassinations outside Ibero-America.

The second Condor convention convened in Santiago at the end of May 1976. This meeting produced several deci-

8. The condor is a large Andean vulture; but the name Operation Condor may also have been inspired by Hitler's murderous Condor Legion, which invaded Spain in support of Gen. Francisco Franco in 1936.

sions: DINA would house a computerized databank on known suspected subversives; and Chile, Argentina, and Uruguay would undertake covert operations against members of a leftist umbrella organization, the Revolutionary Coordinating Junta (JCR), living in Western Europe.⁹

In March 1976, Argentine Army commander Gen. Jorge Videla carried out a coup against Isabel Perón, who had succeeded her husband, President Juan Perón, when he died in July 1975. The new military junta immediately expanded its role in Operation Condor as it launched a "Dirty War" against "subversives" in its own country, which resulted in the disappearance between 1976 and 1983 of as many as 30,000 human beings. The Argentine military had been well trained for this purpose by the French Secret Army Organization (OAS), using the Nazi methods the French employed in Algeria after their defeat in Indochina in 1954.

In September 1976, a two-month-long "Condor training course" opened at the Argentine State Secretariat for Intelligence (SIDE) in Buenos Aires. Those enrolled were agents from Chile, Uruguay, and Argentina. Between Dec. 13 and 16, member nations reconvened again, this time in Buenos Aires. Yet another Condor meeting was planned in Paraguay to discuss "Psychological Warfare Techniques Against Terrorists and Leftist Extremists" in 1977. In early 1978, Condor added two new members, Ecuador and Peru. Thus, by 1978, virtually the entirety of the South American continent, with the exception of Colombia, Venezuela, Guyana, Surinam, and French Guiana, was under the fascist control of Operation Condor. (See **Figure 2**.)

In October 1978, a Paraguayan official informed U.S. Ambassador Robert White that the hub of the inter-state communications system known as "Sistema Condor" was located at the U.S. military base in the Panama Canal Zone. White wrote in a cable that the Condor nations "keep in touch with one another through a U.S. communications installation in the Panama Canal Zone. . . . This U.S. communications facility . . . is also employed to co-ordinate intelligence information among the Southern Cone countries. They maintain the confidentiality of their communications through the U.S. facility in Panama by using bilateral codes."

Second Generation of the Fascist International

Even before Operation Condor had been created, Pinochet's regime had already begun to carry out "third phase" operations. On Sept. 30, 1974, Michael Townley of the Exterior Brigade carried out its first foreign assassination, that of Gen. Carlos Prats and his wife, who were in exile in Buenos Aires. Prats had the potential to become part of a "government

9. The JCR united the Argentine People's Revolutionary Army (ERP), the Chilean Movement of the Revolutionary Left (MIR), the Uruguayan Tupamaros-MLN, and the Bolivian National Liberation Army (ELN).

FIGURE 2

Operation Condor (1978)



The shaded areas show the members of Operation Condor: Almost the entirety of South America was taken over by this fascist enterprise, sponsored by U.S. intelligence circles and former card-carrying Nazis.

in exile,” and therefore, from Pinochet’s standpoint, had to be eliminated.

To carry out such international terrorist operations, DINA began to create covert alliances with a number of fascist organizations in the United States and Europe. These alliances eventually resulted in the creation in 1976 of a second-generation Fascist International.

In December 1974, three leaders of anti-Castro Cuban exile groups in the United States—Orlando Bosch, Guillermo Novo, and Dionisio Suárez—travelled to Santiago to offer their services to and seek support from Pinochet. Novo headed the New Jersey wing of the Cuban Nationalist Movement (CNM), members of which would participate in the Sept. 21, 1976 assassination of former Allende Defense and Foreign Minister Orlando Letelier in Washington, D.C. The CNM was formed in 1963 and was associated with the Cuban terrorist organization FLNC, headquartered in Miami, Florida. Four

of the five members who participated in the Letelier assassination were veterans of the Bay of Pigs.¹⁰

Townley was also dispatched to Europe, where he contacted the Corsican Brotherhood, the former French Secret Army Organization (OAS) terrorist Albert Spaggiari (who once tried to assassinate Charles de Gaulle), and the neo-fascist Italian National Vanguard, led by Stefano Delle Chiaie.

DINA operative Major Cristoph Willeke also established liaison with the BND (Bundesnachrichtendienst), the West German intelligence agency created by Reinhard Gehlen. According to Townley, the liaison had been arranged by leaders of the Nazi colony in Chile, known as Dignity Colony (Colonia Dignidad), which was used by DINA as a torture center. Townley also established contact with two unidentified neo-fascist groups in Germany, to incorporate them into Contreras’s network.

These efforts to consolidate an international Phase Three network of assassins under Operation Condor intersected a process begun during the 1960s, which then accelerated in the 1976-78 period, to form a Fascist International. In 1966, the World Anti-Communist League (WACL) was formed in South Korea. William F. Buckley, Jr. was instrumental in its creation. That same year, Aginter Press, sponsored by the WACL, was created as a cover for OAS terrorists and other European fascists. It was headquartered in Lisbon, and headed by Guerin-Serac, a former OAS agent. During the 1965-71 period, Cuban exile groups led by Guillermo and Ignacio Novo, and Orlando Bosch, were involved in significant acts of sabotage and assassination.

On June 12-13, 1976, several Cuban exile groups, including the Cuban Nationalist Movement, merged into Orlando Bosch’s Coordination of United Revolutionary Organizations (CORU), in a meeting in the Dominican Republic.

In August 1976, CIA death-squad operative and anti-Castro Cuban exile controller Nestor Sanchez, who was previously the CIA’s Latin American Chief of Operations, became CIA station chief in Madrid. Sanchez was thus in a position to coordinate the Madrid-based European fascist networks and the Ibero-American Operation Condor operatives.

In October 1976, the Fascist International was formed in Rome. This was an outgrowth of planning by Hitler’s commando, Otto Skorzeny. The attendees included representatives of the CORU, former SS agents, OAS terrorists, Blas

10. LaRouche has pointed out in respect to Sept. 11, 2001, that even though the terrorists who took part in the operation were ostensibly Arab, their controllers were rogue elements of U.S. military intelligence. Moreover, Osama bin Laden and his Afghansi terrorist networks were assets of Zbigniew Brzezinski and George Bush, Sr. in their proxy war against the Soviet Union in Afghanistan. Similarly, most of the key operatives in Operation Condor were U.S. assets. This includes Nazi war criminals such as Walter Rauff and Klaus Barbie; the Cuban exiles who participated in the assassination of Letelier, most of whom were veterans of the Bay of Pigs; and Contreras himself, who received at least one payment from the CIA.



Hitler's commando Otto Skorzeny in 1944. He played a key role in the post-war Nazi operations including the plan to create a Fascist International, which was realized in Rome in 1976, a year after his death.

Piñar's New Force (Fuerza Nueva), the Argentine AAA, and Italian fascists including the Italian Ordine Nuovo led by Salvatore Francia and Pierluigi Concutelli, Spain's Guerillas of Christ the King (founded by Blas Piñar), the Asociación Anticomunista Ibérica, Alianza Anticomunista Apostólica, and the Paladin group, which had been headed by Skorzeny until his death in 1975. Dr. Gerhard Hartmut von Schubert, formerly of Joseph Göbbels' propaganda ministry, was its operating manager.

In April 1978, the political parties behind the Fascist International formed an electoral alliance called the Euro-Droit (Euro-Right). Charter members included Giorgio Almirante's Italian fascist MSI, Blas Piñar's Fuerza Nueva, France's Forces Nouvelles, Belgium's Front National, and Greece's Rassemblement General.

Indicative of the collaboration among these various fascist groups is the following chain of events. On Jan. 24, 1977, two assassins connected with Blas Piñar's Fuerza Nueva fired on 12 attorneys in a Madrid legal office. The attorneys, several of whom were killed, had committed the "crime" of defending leftists. On Feb. 22, Spanish police found a factory where members of the Italian fascist group Ordine Nuovo had manufactured handguns. The building had been rented by Skorzeny's friend Mariano Sánchez Covisa. The police then investigated a bank safe deposit box which was in the name of the Italian fascist Elio Massagrande. They found money traceable to a bank robbery masterminded by OAS alumnus Albert Spaggiari. This led to the roundup of most of Italian fascist elite residing in Spain, including Stefano Delle Chiaie, all of whom were later released.

In April 1979, the Euro-Right sent Blas Piñar as its repre-

sentative to the WACL assembly in Paraguay. The others in attendance included Giorgio Almirante of Italy's MSI and Mario Sandoval Alarcón, the head of Guatemala's MLN, the party responsible for death squads in that country, with which the CIA's Nestor Sanchez had worked. Providing security for the conference chairman, President Alfredo Stroessner, was Jozo Damjanovic, a Croatian neo-Nazi assassin.

The first assignment taken on by Delle Chiaie for DINA was the attempted assassination on Oct. 6, 1975 of the Chilean Christian Democrat Bernardo Leighton and his wife, who were living in exile in Rome. The assassination attempt, which left the Leightons severely injured, involved two other members of Delle Chiaie's organization, Pier Luigi Concutelli and Giulio Crescenzi. A month later, both Contreras and Pinochet met with Delle Chiaie to seal their collaboration during the funeral of Franco in Madrid.

The Assassination of Orlando Letelier

The most notorious Phase Three assassination was that of Orlando Letelier and his American colleague Ronni Karpen Moffitt, in Washington, D.C. on Sept. 21, 1976. The assassination occurred shortly after Kissinger visited Pinochet on June 8, 1976, the CORU was founded on June 12-13, and Nestor Sanchez became Madrid CIA station chief in August.

All of the evidence in this case points minimally to the fact that the supporters of Pinochet in the United States, who brought him to power, knew about and condoned Operation Condor and failed to take actions which would have prevented this assassination.

On June 8, 1976, Kissinger met with Pinochet in Santiago. Kissinger had travelled to Chile to attend a meeting of the Organization of American States, and under pressure, was planning to make a speech on human rights, nominally criticizing the Pinochet regime. After the meeting, the State Department prepared a memorandum of the conversation (see **Figure 3**).

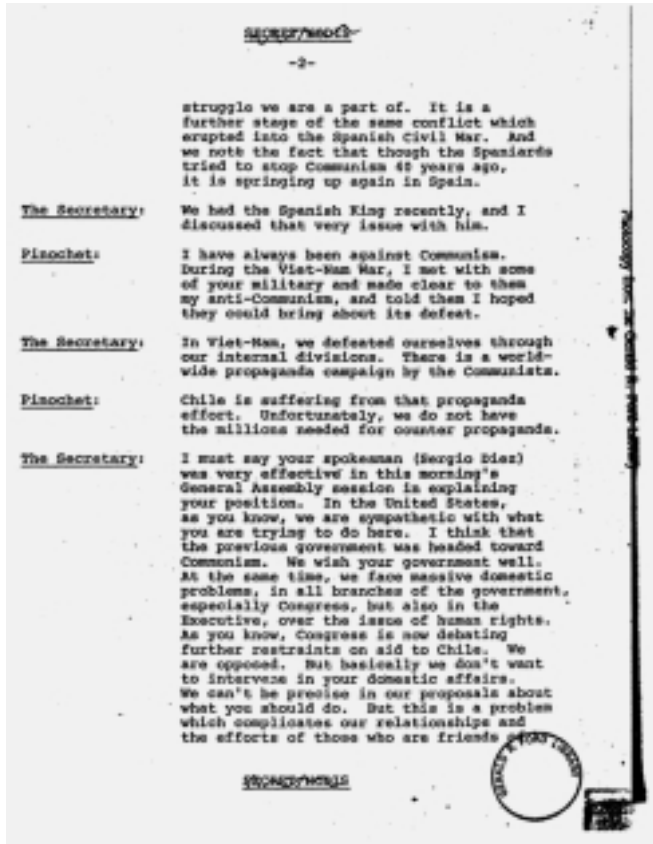
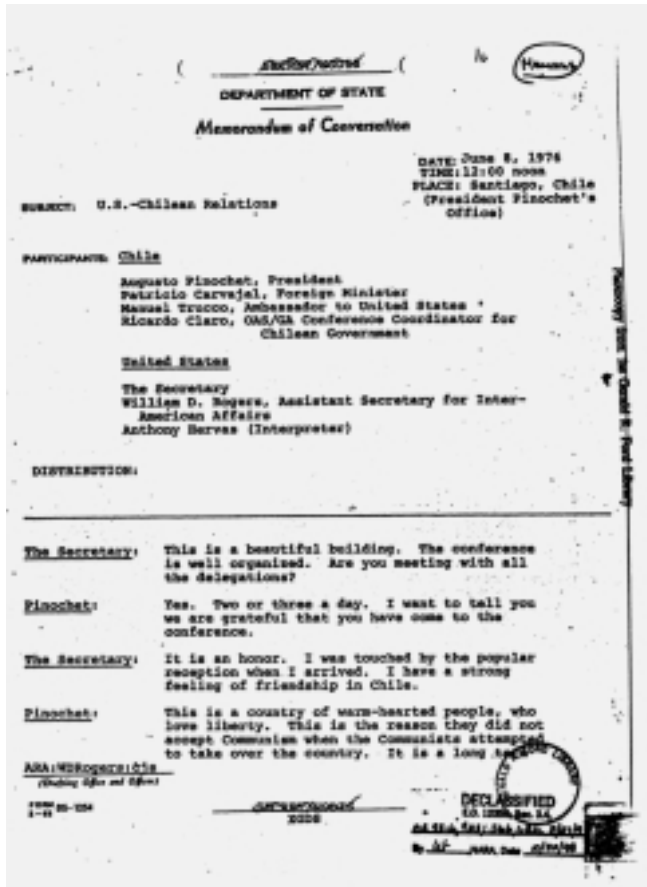
The memorandum quotes Pinochet: "This is a country of warm-hearted people, who love liberty. This is the reason they did not accept Communism when the Communists attempted to take over the country. It is a long term struggle we are a part of. It is a further stage of the same conflict which erupted into the Spanish Civil War. And we note the fact that though the Spaniards tried to stop Communism 40 years ago, it is springing up again in Spain."

Kissinger responded: "We had the Spanish King recently, and I discussed that very issue with him."

This exchange occurred just prior to the launching of the Fascist International in Rome and its subsequent terrorist campaign in Spain, culminating in 1981 with an attempted

FIGURE 3

The Kissinger-Pinochet Conversation, 1976



This excerpt from the U.S. Department of State now-declassified memorandum on Kissinger's visit to Santiago features the Secretary of State's gushing endorsement: "I think that the previous government was headed toward Communism. We wish your government well."

coup d'état, in which Blas Piñar's son, then-Spanish Army Captain Blas Piñar Gutierrez, participated.

Kissinger continued: "In the United States, as you know, we are sympathetic with what you are trying to do here. I think that the previous government was headed toward Communism. We wish your government well. . . . The speech is not aimed at Chile. I wanted to tell you about this. My evaluation is that you are a victim of all left-wing groups around the world, and that your greatest sin was that you overthrew a government which was going communist."

At one point in the discussion, Pinochet mentioned Letelier by name. "We are returning to institutionalization step by step. But we are constantly being attacked by the Christian Democrats. They have a strong voice in Washington. Not the people in the Pentagon, but they do get through to Congress. Gabriel Valez has access. Also Letelier."

Kissinger responded: "I have not seen a Christian Democrat for years."

Pinochet: "Also Tomic, and others I don't recall. Letelier has access to the Congress. We know they are giving false information. . . ."

Two weeks later, Contreras ordered his chief deputy to organize the assassination of Letelier, whom Pinochet believed was plotting to create a government in exile. Townley and another DINA agent, Lt. Col. Armando Fernandez Larios, would travel to Asuncion, Paraguay on July 18 or 19 to obtain false passports and U.S. visas, and then on to Washington "to execute the assassination." Paraguayan President Alfredo Stroessner received a call from Pinochet requesting that the falsified passports be provided. Once this was done, U.S. Ambassador George Landau was told that the two DINA officials needed the visas to meet with CIA deputy director Vernon Walters.

In early July, Contreras travelled to Washington for another secret meeting with Walters (which Walters later confirmed). Contreras also met with former CIA operatives who



Henry Kissinger (left) with Chilean President Augusto Pinochet. As Nixon's National Security Advisor and then Secretary of State, he launched the campaign to overthrow Chilean President Salvador Allende (above), bringing Pinochet and his Nazi supporters to power, under the banner of "fighting communism."

helped him buy weapons and high-tech surveillance equipment, in violation of the Congressional ban.

Ambassador Landau heard back from CIA director George Bush that Walters said he was unaware of the planned visit by the DINA operatives. Landau urged that the Chileans be barred from entering the country. But by then, DINA had aborted the effort to enter the United States from Paraguay, and instead sent an advance team to Washington directly from Chile, to conduct surveillance of Letelier. Townley came two weeks later, received the surveillance intelligence, and then drove to Union City, New Jersey to meet with CNM leader Guillermo Novo. The assassination team included Townley, Virgilio Paz, and Dionisio Suárez. Townley affixed a bomb to Letelier's car on Sept. 18. On Sept. 21, Paz and Suárez detonated the device.

Before the assassinations took place, there had still been time for the United States to intervene. On Aug. 18, Kissinger initialed a final draft of a cable entitled "Operation Condor," which was sent to the U.S. ambassadors in the Condor nations. The cable instructed the envoys in Argentina, Uruguay, and Chile to seek an appointment with the chiefs of state of their respective nations, to tell them of rumors that the cooperation among them to combat subversive activity "may extend beyond information exchange to include plans for the assassination of subversives, politicians and prominent figures both within the national borders of certain Southern Cone countries and abroad" and that if true, this "would create a most serious moral and political problem."

These instructions were never carried out. Moreover, on Sept. 20, the day before Letelier was assassinated, Kissinger's aide Harry Shlaudeman sent a secret cable to be conveyed to the U.S. ambassadors to Argentina, Chile, and Uruguay which read: "You can simply instruct the Ambassadors to take no further action, noting that there have been no reports in some weeks indicating an intention to activate the Condor scheme."

After the assassination, Kissinger and CIA Director George Bush officially ruled out the idea that Letelier was killed by agents of the Chilean military Junta. The *Washington Post* reported on Nov. 1, that "operatives of the present Chilean military Junta did not take part in Letelier's killing. . . . CIA director Bush expressed this view in a conversation late last week with Secretary of State Kissinger."

In late September, a two-month-long "Condor Training Course" began in Argentina, and in October, the Fascist International was founded in Rome, Italy.

Despite Bush's and Kissinger's attempted coverup, the Letelier assassination would eventually result in the dissolution of DINA, although Operation Condor continued until at least 1983. On Aug. 13, 1977, the Chilean junta issued a decree abolishing DINA. A second decree established the National Center for Information, CNI, with Contreras initially its director. However, in early November, high-ranking military commanders met with Pinochet and demanded that Contreras be relieved of his duties as CNI director. On Nov. 4, Pinochet promoted him from colonel to brigadier general, removed him as head of the CNI, and appointed one of DI-

NA's critics, Gen. Odlanier Mena, in his place.

In March 1978, Townley was identified as a participant in the assassination, and after significant stalling, the Pinochet regime finally agreed to expel him. On March 21, Pinochet arranged the resignation of Contreras from the Chilean Armed Forces. Townley's confession led to a U.S. indictment of Contreras and two other DINA officers, as well as five CNM members, on Aug. 1, 1978.

Support for Operation Condor Continues

Despite these developments, Shultz and Walters continued to support Pinochet and Operation Condor. When Ronald Reagan was elected President in 1980, there was initially an attempt to rehabilitate the Pinochet regime. George Shultz was an advisor to the incoming administration, and Vernon Walters became his ambassador-at-large.¹¹

Shultz, who would eventually become Reagan's Secretary of State, gave his full support to Pinochet. In his autobiography, Shultz wrote: "General Augusto Pinochet came to power, bringing dictatorship and repression to the political scene. But he did restore prosperity to the economy. Chileans trained in free market economics at the University of Chicago applied the ideas of classical economics, opening the Chilean economy to international competition, eliminating subsidies, relying on market signals to direct investment, seeking fiscal balance and a stable monetary policy. These policies worked."

The reality, however, was that as a result of the policies of Shultz's Chicago Boys, the Chilean economy had collapsed. Gross national product plummeted by 14%; unemployment rose to 30%; and the foreign debt reached \$19 billion, the highest per-capita debt in the world.

In 1981, Shultz visited the former Labor Minister of Chile, José Piñera, who had sponsored the privatization of social security in that country, and asked him to write a one-page memo on pension privatization for Shultz to submit to Reagan. Reagan, despite his commitment to free-trade policies in general, rejected the proposal.

For his part, Walters rationalized the Letelier-Moffitt assassinations as "a mistake," and said, respecting the Pinochet junta, "you can't rub their noses in it forever." In February

11. In *Sánchez-Espinoza vs. President Ronald Reagan, et al.*, a legal case brought before the District Court of Washington, D.C. in 1983, 12 citizens of Nicaragua and 12 members of the U.S. Congress sued President Reagan, CIA Director William Casey, former Secretary of State Alexander Haig, Secretary of State George Shultz, Assistant Secretary of State for Inter-American Affairs Thomas Enders, U.S. Ambassador at Large Vernon Walters, Defense Secretary Caspar Weinberger, Deputy Assistant Secretary of Defense for Inter-American Affairs Nestor Sanchez, and U.S. Ambassador to Honduras John Negroponte for violations of the law respecting U.S. support of the Contras. After being dismissed, the case was appealed to the Court of Appeals. The judge who filed the opinion on Aug. 13, 1985 affirming the dismissal was then Circuit Court judge and now U.S. Supreme Court Justice Antonin Scalia.

1981, Reagan sent Walters to brief Pinochet on U.S. counterinsurgency operations in El Salvador. Walters reported back that Pinochet "offered full support and said he would do anything we wanted to help us in the Salvadoran situation."

Beginning in 1979, the Argentine military, which had carried out a coup in March 1976 and launched its "Dirty War," had helped organize death squads in El Salvador. In 1980 and 1981, Chile provided training and tactical advice to El Salvador's military forces. In recognition of Pinochet's support, the Salvadoran high command bestowed the José Matias Delgado Award on Pinochet in May 1981.

When the U.S. Congress cut funding for CIA support of the Contras in Nicaragua in October 1984, the secret government plotters under the leadership of Vice President George Bush, who had been director of the CIA at the time of Letelier's assassination in 1976, turned once again to Pinochet. In late 1984, Lt. Col. Oliver North approached the Pinochet regime in an attempt to obtain a key weapons system needed by the Contras: the British-made Blowpipe missile.

Chile and Argentina had long been involved in Nicaragua as part of Operation Condor. After 1976, the Chilean and Argentine military helped Nicaraguan dictator Anastasio Somoza, until his 1979 overthrow. Contra leader Adolfo Calero and a delegation were in Chile between Dec. 7-17, 1984. The Chileans offered 48 missiles, launchers, and training "for up to ten three-man teams on a no-cost basis."

North also arranged for Merex International Arms to deliver 3 million rounds of ammunition to the Contras. Merex had a branch office in Savannah, Georgia. During the Contra support operation, its Georgia address was occupied by Combat Military Ordinances Ltd., controlled by CIA agent James P. Atwood, who operated in the Middle East, Germany, and Ibero-America. Among Atwood's collaborators in Skorzeny's Nazi network were Walter Rauff, Klaus Barbie, and Friedrich Schwendt.

The Role of Nestor Sanchez

One of the key Dulles operatives who played a role in both Operation Condor and the Contra support operation was Leesburg, Virginia resident, Nestor Sanchez, who later became a leading operative against Lyndon LaRouche. Sanchez was a CIA agent in the late 1950s, when Allen Dulles ran the agency.

During the 1960s, Sanchez worked with Gen. Edward Lansdale, who was involved in counterinsurgency in Southeast Asia in the 1950s and in Ibero-America by the 1960s. In general, Sanchez's role was as a contractor for both economic warfare and assassination. Specifically, he was the controller of the Cuban exile networks from which he recruited assassins. This is of particular interest since Phase Three of Operation Condor employed the Cuban Nationalist Movement in its assassination operations.

The first case of Sanchez' deployment of anti-Castro Cu-



Nestor Sanchez was the CIA's principal liaison to the death squads in Ibero-America.

ban exile assassins, which has come to the public light, occurred in 1963. Sanchez was assigned by the CIA as the Spanish-speaking case officer of Cuba's Maj. Rolando Cubela, who was to carry out an assassination of Fidel Castro. Sanchez and Desmond Fitzgerald met Cubela in a hotel room in Paris on Nov. 22, 1963, the day President John F. Kennedy was assassinated. They gave him a poison pen to be used in the planned assassination of Castro.

During the period 1960-67, a number of CIA personnel requested transfer, in protest of the fact that Sanchez was working so closely with death squads in Ibero-America. In February 1965, Sanchez was reassigned to Caracas. From August 1967 to at least September 1968, he was station chief of the CIA in Guatemala, where he worked with the death-squad operations. In 1972, he was transferred to Bogota. From November 1974 until July 1976, he was Latin American Division Chief, CIA Directorate of Operations, which put him in a key position respecting Operation Condor.

From 1976-79, Sanchez was the CIA station chief in Madrid, where he was in a position to coordinate the Fascist International with Blas Piñar.

In the 1980s, when the Reagan Administration supported the Contras in Nicaragua, Sanchez was the Deputy Assistant Secretary of Defense for Inter-American Affairs. He was also assigned to the staff of the National Security Council.

In 1984-85, with Vice President Bush's approval, Felix Rodriguez, a Cuban-born CIA contract agent, was introduced to Sanchez, among others, to plan death-squad operations in El Salvador against the guerrillas, and to resupply the Nicaraguan Contras. As we have already reported, under Operation Condor both Argentina and Chile were already directly involved in training death squads in El Salvador. CIA officers were told that NSC staff members Sanchez and Constantine Menges were sending Rodriguez to solve the insurgency problems in El Salvador.

In February 1985, the CIA said Rodriguez had said he had discussed his offer to help fight guerrillas with Bush, North, Sanchez, and Donald Gregg.

Sanchez and Vernon Walters were very close. Walters was honorary chairman of the George C. Marshall International Center in Leesburg, and Sanchez was the president.

Operation Condor vs. LaRouche

Lyndon LaRouche, who is the leading opponent today of Bush's attempt to impose the Pinochet model of Social Security privatization in the United States, has been the leading opponent of the economic policies of Shultz and company for decades. While Shultz and the cartels that control him have fought to destroy the legacy of Franklin Roosevelt's American System, LaRouche has led the fight to create a New Bretton Woods system and to defend the General Welfare principle of the U.S. Constitution.

Beginning as early as 1973, rogue elements in the U.S. intelligence community made several attempts to "eliminate" LaRouche. In the 1980s, LaRouche earned the wrath of Shultz, Kissinger, and Bush, Sr. as a result of his success in influencing President Reagan to adopt the Strategic Defense Initiative. LaRouche also ran afoul of these circles because of his opposition to the Contras, his campaign for a real war on drugs, and his collaboration with Mexican President José López Portillo and other Ibero-American leaders to re-establish Roosevelt's commitment to eliminate colonialism and to develop the Third World, using American System methods as opposed to the British free-trade policies of Shultz, as implemented in Chile.

As a result of this policy divide and the fact that LaRouche was regarded as a uniquely potent political opponent to their subversive efforts, the targetting of LaRouche was intensified in the mid-1980s.

In the Spring of 1985, a delegation of military officers from Guatemala came to the United States in connection with their collaboration with LaRouche in the production of a documentary film entitled *Soviet Irregular Warfare in Latin America*. The Guatemalan military had carried out a successful anti-drug operation in the jungles of Guatemala, as proposed by LaRouche, called Operation Guatusa.

The military delegation, accompanied by LaRouche associates, visited the Pentagon for meetings with U.S. military representatives to discuss the success of this operation. When Nestor Sanchez ran into this delegation, he went berserk and did everything possible to subvert the LaRouche-Guatemalan collaboration.

This occurred in the context of an ongoing covert action campaign, similar to what was done in Chile to overthrow Allende, designed to defame LaRouche and either set him up for assassination or for imprisonment on baseless charges. Kissinger himself had been involved in launching the investigation of LaRouche, through a Aug. 19, 1982 private commu-

nication with then-FBI director William Webster. A private salon was organized by Wall Street investment banker John Train, a friend of José Piñera, to carry out a campaign of disinformation and black propaganda against LaRouche in the news media.

In 1986, a police raid was launched against LaRouche's headquarters in Leesburg, Virginia, during which there were operational plans to storm LaRouche's residence and assassinate him. The raid involved the FBI's Special Operations Groups, which were known to have been deployed against critics of the supply operation to the Contras. Also involved in the raid was the secret office in the Pentagon through which the CIA sought Defense Department assistance for covert operations in Central America.

During this period, Sanchez, whose position in the Pentagon and involvement in death squads would have placed him at the center of the planned assassination of LaRouche, recruited Fernando Quijano, an associate of LaRouche, to betray him. During this period, Quijano openly defended Sanchez, telling another associate of LaRouche: "You don't know who he is. He is not our enemy. He is one of our only friends. He knows people we know in Latin America and in the intelligence community. Lay off. You are being used."

After LaRouche was convicted in a railroad trial and imprisoned in January 1989, Quijano operated as an agent of Sanchez to attempt to destroy the LaRouche political movement.

By 1990, Quijano had already begun to adopt the anti-communist, pro-Franco, pro-Nazi political belief structure which drove the Pinochet regime. In 1992, he would take the next step of creating an organization in Ibero-America, the Ibero-American Solidarity Movement (MSIA), at a conference in Tlaxcala, Mexico. Shortly thereafter, Quijano and those whom he had recruited to his anti-LaRouche operation, made direct contact with former DINA head Manuel Contreras and other representatives of the Pinochet regime, as mediated through the personal representative of Spanish fascist Blas Piñar.

Alejandro Peña, also a former LaRouche associate, who is now head of Venezuela's Democratic Bloc, travelled at Quijano's bequest to Chile in 1993. Peña was introduced to Contreras and other high level military officers in the Pinochet regime by Eduardo Casarramona Obiols, the personal representative of Blas Piñar in Ibero-America, with whom representatives of the MSIA in Mexico came in contact after the Tlaxcala conference. Casarramona's relationship to the Pinochet regime was mediated not only through Blas Piñar, but also through Casarramona's wife, who was Pinochet's personal secretary. (At this point, Pinochet had resigned as President, but still controlled the military. A new Constitution had been adopted in the transition to civilian rule.)

Contreras knew that he might be indicted for his involvement in the assassination of Letelier. On instructions from Quijano, Peña told Contreras that there was an operation in

Chile to create a leftist subversive movement to take over the country. He warned Contreras that the United States would not help them. Peña said that Contreras was confident that no one would touch them, but Peña disagreed, warning that the new Constitution would be used against them.

Quijano wanted to get Contreras and Pinochet to overthrow the new Constitution and take power once again. Through Peña, he told Contreras that if they did not do so, they would end up in jail. When Contreras was finally indicted in 1995, Peña said: "I told him. I warned him."

Quijano's thesis, which Peña embraced, was that all of Ibero-America was in a pre-Spanish Civil War-type situation, requiring the military to take power against the leftists as Franco had done in Spain. This was precisely the thesis which Pinochet had put forward in his discussion with Henry Kissinger in 1976.

The Third Generation Fascists

In 1998, first Peña, and then in 2000, Quijano were exposed and forced to resign from their association with LaRouche. Other MSIA leaders, including Marivilia and Lorenzo Carrasco, stayed behind until they were also forced to resign in August 2003.¹² It was during this period that the networks of Blas Piñar, with which these anti-LaRouche fascist traitors worked, began to consolidate into a third generation Nazi International by taking steps identical to those which resulted in the creation of the Fascist International and the Euro-Right in the 1976-78 period.

On Nov. 16-17, 2002, the Spanish Falange and Blas Piñar's Fuerza Nueva held a meeting in Madrid, attended by Roberto Fiore of Forza Nuova in Italy, former Argentine Army Capt. Gustavo Breide Obeid of the Popular Party for Reconstruction (PPR), the National Front of France and others. On Jan. 26, 2003, Blas Piñar's Fuerza Nueva and the Spanish Falange held a follow-up meeting in Madrid. Forza Nuova and the National Front were again there. The PPR sent a message of support, as did Alejandro Peña of Venezuela's Democratic Bloc. In April 2003, Blas Piñar founded the Alternativa Nacional party in Spain. Piñar's Alternativa Nacional and Roberto Fiore's Forza Nuova work closely with the Liberta d' Azione of Alessandra Mussolini, the granddaughter of Il Duce.

Conclusion

We have now proven that Lyndon LaRouche was absolutely correct when he warned that if Bush succeeds in privatizing Social Security in the United States, it will be a foot in the door for fascism. If we don't defeat Bush, we are all headed for the concentration camps.

The same synarchist international banking faction that created Hitler, Mussolini, and Franco from 1922-45, and which put Pinochet in power in Chile in 1973, is behind the

12. See footnote 2.



Spanish fascist Blas Piñar worked with the first generation of Nazi war criminals to create the second generation in the 1970s, and is working today to create a third generation.

drive for privatization of Social Security in the United States. This banking faction led by George “Hjalmar Schacht” Shultz both designed the fascist economic policies of the Pinochet regime and backed the fascist police state apparatus which was required to implement those policies. This is underscored by the fact that DINA and its “Economic Brigade” were responsible for supervising the economic policies designed by Shultz’s Chicago Boys.

The fascist police-state measures implemented under Operation Condor were actively promoted by the Dulles/Angleton faction of the U.S. intelligence community. Nazi war criminals Rauff and Barbie, who were protected by this apparatus, were key advisors to Operation Condor.

Under the direction of Shultz, Kissinger, Bush, Sr., Vernon Walters, and Nestor Sanchez, DINA and Operation Condor received training, equipment, and financial and political support. Manuel Contreras was a paid agent, who met with Walters on at least four occasions in the United States. CIA training officers were sent to Santiago to train DINA officers. The communication system employed by Operation Condor was reportedly based in the U.S. military facility in the Panama Canal Zone.

The second generation of fascists who functioned as the hired assassins of Operation Condor were in large part assets of this synarchist faction of U.S. military intelligence. This includes the anti-Castro Cuban exiles, most of whom were veterans of the Dulles-orchestrated Bay of Pigs invasion of

Cuba. The CNM merged with Orlando Bosch’s umbrella organization CORU in June 1976, just three months before their participation in the Letelier assassination. CORU then participated in the creation of Blas Piñar’s Fascist International in Rome in October 1976, just one month after that assassination. Sanchez had been named CIA station chief in Madrid in August 1976, where he was in a position to coordinate with Blas Piñar.

Although it is argued by some that the United States did not direct Operation Condor, it is clear from what we have presented that elements of the U.S. military and intelligence community associated historically with the Dulles faction, did promote Operation Condor, and even if they did not specifically order such assassinations as that of Letelier, they permitted such assassinations to occur.

Sanchez was the official CIA liaison with death squads in Ibero-America. He recruited Cuban exiles to carry out assassinations as early as 1963. He is also known to have worked closely with the death squads in Guatemala. He and others like him, in the tradition of the Spanish Grand Inquisitor Torquemada, have no compunction about cold-blooded murder and torture.

Today, as we have said, the methods employed by the Nazis and by the second generation of fascists associated with Pinochet’s Operation Condor—torture and mass murder—are already being employed in Bush’s war on terrorism. If Bush’s drive for privatizing Social Security is not defeated, it will not be long before the third generation of the Fascist International will be given the support it needs to become the Brown Shirts of the early 21st Century. Stop them now, before it is too late!

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A Real Peace of Westphalia

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

Patriarch Nasrallah Sfeir granted the interview while he was on his mission to Washington, D.C. He had just met with President George W. Bush, and was about to leave for New York City, where he was scheduled to meet with United Nations Secretary General Kofi Annan.

As a nation populated by diverse religious and ethnic groups—Shi'ites, Sunnis, Christians, Druze and others—with a history of civil wars, and yet with experience as an independent democratic nation since 1943, Lebanon is a crucial testing ground for how the Peace of Westphalia principle can be applied. That principle was the basis for ending the "religious" conflict that nearly destroyed central Europe in the early 17th Century. It has two crucial components. The first, is that the parties achieving the peace must proceed from the standpoint of the "Advantage of the Other": In other words, to put the interest of the other party ahead of any short-term interest or consideration one might have. The second, is that each party must embrace forgiveness, because dwelling on mutual recriminations will make the achievement of a true peace impossible. This is a matter of particular importance in what's called the Middle East, where the conflict of neighbor against neighbor has been often fierce and bloody.

What is required, therefore, in all those nations party to the peace, is a leadership which is big enough to adopt this perspective. In most cases, it will also be crucial to have outside support, especially from nations who are willing and able to provide credits for economic development, in the context of a long-term perspective for growth such as that embodied in Lyndon LaRouche's New Bretton Woods and Eurasian

Land-Bridge proposals.

EIR's sources in Lebanon had already communicated to us that the leading figures are looking toward the Peace of Westphalia concept, and are determined not to be manipulated by forces in other nations, who might wish to touch off a civil war situation in the wake of the assassination of former Prime Minister Rafik Hariri. There have been concerted efforts to prevent a breakdown along religious lines.

We present here a foretaste of the interview, which we will present in full in our next issue.

EIR: As you know, we have been discussing with our mutual friends in Lebanon, LaRouche's concept of a New Peace of Westphalia, which is based on the concord that brought peace to Europe after the thirty years war.

Patriarch: This is our image, and I hope I have gotten the message across in this country—the message that what we want in Lebanon is good relations with all countries in the region. What is good for Lebanon is what is in the common interests of all of our neighbors. We, in Lebanon, want peace. We want to be good friends with all of our neighbors. We want to walk together hand to hand, heart to heart.

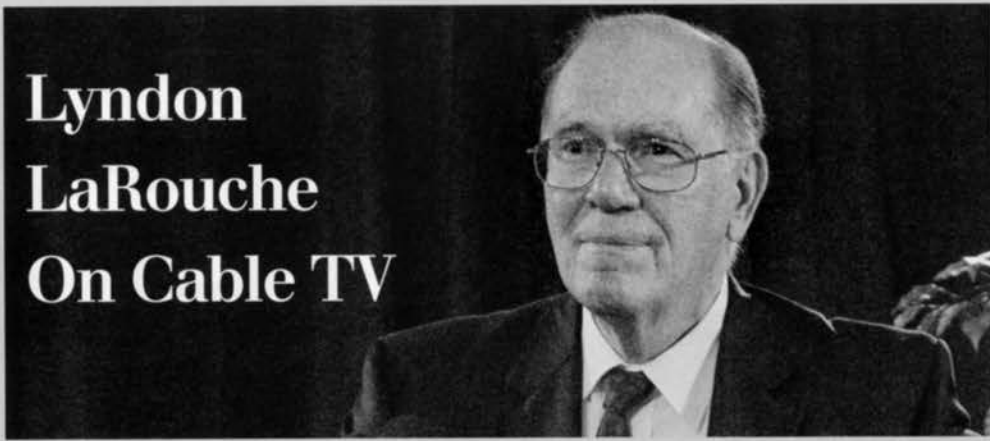
EIR: Many have feared the intention of some in the United States and other countries to use Lebanon as a playing card in the region, as a provocation for war.

Patriarch: I hope all have understood my message. Lebanon must be independent, sovereign, and free. Up to now, we have not been free. Now, Syria will have respect for Lebanon as a sovereign country, and Lebanon will have respect for Syria as a sovereign country. Lebanon as a free country must have no interference from any country in the world. . . .

EIR: What kind of example do you hope that Lebanon can be?

Patriarch: I hope that Lebanon can be an example of peace, of overcoming the problems of the past. A free nation has no reason for any interference, from any country, from the outside. When we have peace, we can create jobs and a hopeful future that can bring our young people back from all over the world.

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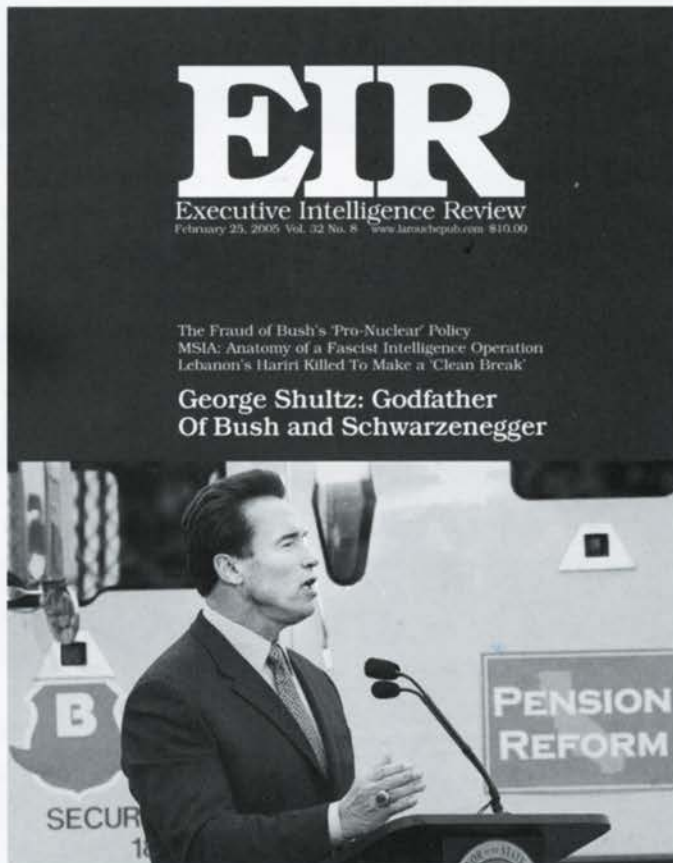
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