



Silver Users Association

Washington Report

Volume 5, Issue 3

April, 2008

Market Watch: Silver Price

2007 Comex Spot Settlement

Month	High	Low	Avg.
January	16.95	15.17	16.05
February	19.81	16.30	17.66
March	20.69	16.81	19.16
April			
May			
June			
July			
August			
September			
October			
November			
December			
2007 Summary	15.50	11.47	13.38

In This Issue:

- Democrats Sue to Force McCain to Meet Public Financing Limits
- Democrats' Strategic Delay on Colombia Trade Pact Could Backfire
- Climate Change Bill Could Cost Private Sector Billions
- Tax Package Passes in Senate, Faces Expansion of Provisions in House
- As Senate Nears Passage of Housing Bill, Attention Shifts to House
- House Republicans Seek to Make Bush Tax Cuts Permanent
- Senators Seek to Boost Visas for Skilled Workers
- Democrats Defy Bush Threat to Veto War Supplemental Bill With Add-Ons
- GOP Turns Up Heat on Democrats Over Obama Remark
- The Rise and Fall of Ron Paul
- On The Campaign Trail
- Mitsui Silver ETF Report

This Month's Newsletter Sponsored by:



Association News:

- Meeting Dates:

June 7-10, International Precious Metals Institute Conference

Phoenix, AZ

(The Silver Users Association will be sponsoring the Silver Session)

November 18-19, The Silver Users Association Fall Meeting

Army-Navy Club
Washington, DC

- Press Releases: Please send us your press releases and/or company announcements, so that we can include them in SUA's monthly newsletter.
- Web Site: Visit our web site at:
<http://www.silverusersassociation.org>
- **SUA Board Votes to Cut 2007 Dues by \$1,700.** Contact Paul Miller for news on the new 2008 dues structure and how you can get involved. Paul can be reached at (703) 930-7790 or at pmiller@mwcapitol.com

Note:

- Please send us any updates to your company profile so that we can update our records and web site.
- If you are interested in sponsoring the newsletter, please e-mail Paul Miller today at pmiller@mwcapitol.com

Democrats Sue to Force McCain to Meet Public Financing Limits

The Democratic National Committee filed a lawsuit Monday trying to force Sen. John McCain, the presumptive Republican nominee for president, to obey spending limits for publicly financed candidates. But Republicans dismissed the case in U.S. District Court for the District of Columbia, which is technically against the Federal Election Commission, as “frivolous.”

The case highlights the lack of a quorum at the FEC, which is unable to act on McCain’s request to withdraw from the public-finance system or investigate complaints that he is violating the program. McCain, R-Ariz., applied for public financing Aug. 13 and was approved Dec. 20. Public funding, which matches the first \$250 of each individual’s contributions to his campaign, also limits total spending on a campaign at \$56,757,500 this year.

McCain’s latest FEC report through Feb. 29 showed spending exceeding that total, according to the lawsuit. The DNC had filed a complaint Feb. 25 about his apparent spending. The DNC also contends that McCain shouldn’t be allowed to withdraw from the public-financing system because he obtained a nearly \$3 million loan in December based on his participation in the system

“He used the promise of receiving public funds to secure a bank loan to sustain his campaign, and he also used it to qualify for a position on several state presidential primary ballots,” the lawsuit states. “The continuing inability and failure of the FEC to act against the violations committed by Sen. McCain and the McCain campaign is allowing them to continue to violate the law.”

The problem is that the FEC is unable to act at all, with only two members on the six-member panel. Four are needed to either approve a withdrawal from the public-finance system or to investigate complaints about violations. President Bush has nominated more members, but the Senate hasn’t scheduled a confirmation vote because of a dispute about one of the candidates.

The dispute prompted Robert Lenhard, a former FEC chairman and a Democratic nominee, to ask to withdraw because of the “significant delay” waiting for a confirmation vote, Senate Majority Leader Harry Reid, D-Nev., said Monday. The DNC cited provisions in the Nov. 14 loan agreement and changes Dec. 17 to bolster its case that McCain used the public-finance system as collateral and agreed to abide by the system’s spending limits. Tom McMahon, the DNC’s executive director, suggested that McCain believes campaign-spending laws apply “to everyone but himself.”

But McCain’s campaign and his bank have insisted public financing wasn’t used as collateral for the loan. The campaign referred questions to the Republican National Committee. “It is clear that the trial-lawyer Democrats’ idea of campaigning for president is to hire lawyers and file frivolous lawsuits,” said Alex Conant, an RNC spokesman. “As for the lawsuit itself, it is clearly without merit and filed only for public relations purposes.” An FEC spokesman declined comment on the case.

Democrats’ Strategic Delay on Colombia Trade Pact Could Backfire

Democrats’ attempt last week to seek more leverage on trade-related domestic legislation may have backfired, leaving them in a weaker position than before they voted to delay consideration of a free-trade agreement with Colombia. Earlier this month, Democrats in both chambers were calling for legislation to expand the Trade Adjustment Assistance (TAA) program before consideration of the Colombia pact. But the strategy could boomerang.

“The administration, if it doesn’t like what it sees on Colombia, may walk out on TAA negotiations,” said Howard Rosen, executive director of the Trade Adjustment Assistance Coalition, a group aiming to improve the program that helps workers who lose their jobs because of foreign competition.

House Speaker Nancy Pelosi, D-Calif., initiated the delay in considering the Colombia pact with a resolution (H Res 1092) to change House rules after President Bush ignored her advice and sent Congress implementing legislation (HR 5724) for the trade deal opposed by most Democrats. In a largely party-line vote April 10, the House adopted the resolution, 224-195. “I said we’ll take back the leverage to ourselves,” Pelosi told reporters after the vote. “All the leverage was with the White House. Now we can talk.”

But the procedural maneuver instead has probably weakened Democrats’ bargaining power with the administration and the White House on related trade matters. “My great fear is that with the vote in the House the administration might slow down its negotiations on TAA,” Rosen said.

Supporters of a TAA overhaul say the program must be updated to reflect globalization and should include, for example, training and benefits for displaced service sector workers. Efforts are under way in the Senate Finance Committee, chaired by Max Baucus, D-Mont., to craft a bipartisan TAA bill with Charles E. Grassley of Iowa, the panel’s top Republican. Before the administration sent the Colombia pact to Congress, Pelosi echoed Baucus’ calls for TAA to precede consideration of the trade deal. But now she and other Democratic leaders have other economic priorities: getting the White House to agree to more aggressive steps to revive the economy and help struggling homeowners.

The remaining items on Congress’ trade agenda are less ambitious. Congress plans to renew trade preferences for Caribbean nations, set to expire Sept. 30, and for countries covered under what is known as the Generalized System of Preferences. Those expire Dec. 31.

The Generalized System of Preferences (PL 93-618) provides duty-free entry into the United States for a range of goods and raw materials for manufacturing products from more than 140 developing countries. Furthermore, trade preferences (PL 110-191) for Colombia, Bolivia, Ecuador and Peru expire at the end of the year.

The White House would like Congress to consider two other free-trade agreements negotiated by the administration, but each has specific obstacles. A pact with South Korea, the seventh-largest market for U.S. exports in 2007, is stalled because of the country’s reluctance to ease restraints on U.S. beef stemming from concerns about mad cow disease. The trade deal is also considered a threat to U.S. automakers.

The other pending trade deal, with Panama, a relatively small trading partner, has been held up in part because the president of the country’s national assembly is accused of killing two U.S. soldiers in 1992. Meanwhile, with a record \$256 billion U.S. trade deficit with China in 2007, members from both parties are calling for action on pending trade legislation affecting China as well as stronger enforcement by the administration, primarily with regard to China’s currency, which most observers believe is undervalued.

Both chambers have introduced measures to address trade concerns with China, but no floor votes have been scheduled. In the Senate, the finance panel approved a bill (S 1607) on July 26, and the banking panel approved its bill (S 1677) on Aug. 1. Both focus on misaligned currencies. In the House, a similar bill (HR 782) was referred to Armed Services, Financial Services, Foreign Affairs, and Ways and Means on Jan. 31, 2007. It has about 120 cosponsors from both parties.

Climate Change Bill Could Cost Private Sector Billions

Congressional budget analysts have concluded that a Senate climate change bill would not increase the federal deficit but would cost the private sector billions of dollars annually. The estimate arrived after sponsors of the bill ([S 2191](#)) adjusted its provisions to make the bill revenue-neutral as far as the federal budget is concerned. Republicans are seizing on the new analysis as further evidence that the bill would hurt the economy.

The bill, sponsored by [Joseph I. Lieberman](#), I-Conn., and [John W. Warner](#), R-Va., is slated to move to the Senate floor this summer. It would direct the federal government to distribute emission allowances to businesses, some for free and some at an auction, creating a market-based system for reducing greenhouse gases. Overall emissions would be capped, but companies could purchase extra emission allowances from others who are able to beat the targets. That would set up what is known as a cap-and-trade system. The Congressional Budget Office (CBO) concluded in an April 10 report that with the proposed changes, the bill would increase overall federal revenues by \$1.21 trillion between 2009 and 2018, and revenues would exceed new direct spending by \$78 billion.

Under the latest proposal, the government would sell an additional 6 percent of all allowances to industry at an auction and deposit the money in a "deficit reduction fund," a Lieberman aide said. This would slightly reduce the number of allowances distributed to industry for free. It would also reduce the proceeds from auctioned allowances that could be spent on various projects called for by the bill, including low-income energy assistance, clean technology research, wildlife adaptation and forest fire suppression.

In a statement, Senate Environment and Public Works Committee Chairwoman [Barbara Boxer](#), D-Calif., called the CBO analysis "an enormous breakthrough. At the end of the day, this bill will be a boon to the economy." The bill's leading opponent, the panel's ranking Republican [James M. Inhofe](#) of Oklahoma, said the report shows the bill would impose "a \$1.2-trillion tax increase" on the economy.

"As the economy continues to face uncertain times and as energy prices soar, this new analysis shows once again why this bill is wrong for America," he said. The EPA released its own analysis last month that estimated the bill's long-term cost to the economy. That report said the price of gasoline would rise an additional 53 cents by 2030 and \$1.40 by 2050 as a result of the bill, and electricity prices would go up an extra 44 percent by 2030 and 26 percent by 2050.

Opponents of the bill said EPA used unrealistic assumptions about the expansion of nuclear power and carbon sequestration technologies necessary to drive down the price of compliance.

Tax Package Passes in Senate, Faces Expansion of Provisions in House

As Congress steams ahead with legislation aimed at reviving the slumping housing market, House Democrats are likely to significantly expand on a Senate-passed measure. The Senate on Thursday passed, 84-12, a bipartisan package ([HR 3221](#)) built around tax incentives designed to spur the purchase of homes now in foreclosure and to grant relief to struggling homebuilders and other money-losing businesses.

The White House signaled that President Bush is ready and willing to negotiate with congressional Democrats over a final version of housing legislation. Senate Majority Leader [Harry Reid](#), D-Nev., said Bush had assured him that there is no veto threat against the Senate bill, even though the White House press secretary sharply criticized it earlier in the week.

"I don't expect the president to like everything in our bill," Reid said. "But I think this is the beginning of the process." After a spring break that drove home the anxiety of their constituents about declining home prices and a continuing

credit crisis, senators set aside their partisan differences and got behind the package drafted by Christopher J. Dodd, D-Conn., and Richard C. Shelby, R-Ala., leaders of the Banking, Housing and Urban Affairs Committee.

The House is assembling its own, potentially broader alternative, starting with a package of housing-related tax breaks (HR 5720) approved April 9 by the Ways and Means Committee. Both the Senate and House measures include provisions aimed at helping homeowners refinance their mortgages. Both also would modernize the Federal Housing Administration (FHA), a Depression-era agency that insures mortgages that meet certain standards.

But the compromise Senate package did not include several provisions likely to be added by the House, including a major expansion of the FHA's insurance program. Barney Frank, D-Mass., chairman of the House Financial Services Committee, is sponsoring legislation that would allow the FHA to insure refinanced mortgages if lenders agree to cut the outstanding principal on the loan to reflect the reduced value of a property.

Frank said his committee will mark up his FHA legislation on April 23 and 24. Dodd is pushing similar legislation, but it was not included in the package passed Thursday because Shelby and the White House had concerns about the proposal and Senate leaders wanted a bipartisan bill that could move swiftly. Asked whether his FHA mortgage refinancing bill would be rolled into the Ways and Means measure before floor consideration, Frank said, "That's up to [House Speaker Nancy] Pelosi [D-Calif.] and Reid."

The bulk of the Senate bill's tax breaks are aimed at money-losing businesses and provide incentives for buyers of foreclosed properties. Frank has said he has little interest in those provisions. His proposal is designed to restore some liquidity to the secondary market for mortgage-backed securities and help spur mortgage refinancing for homeowners who are "underwater," owing more than their homes are worth.

The White House has launched its own FHA refinancing plan, which is similar to Frank's but more modest in scope. It would not involve upfront taxpayer funding, as Frank is urging, but instead would require borrowers whose mortgages are refinanced to foot the bill through premiums paid to the FHA. The core provisions of the Senate bill would cost \$10.9 billion over 10 years, with no offsets.

The measure would allow homebuilders and other businesses that lose money in 2008 and 2009 to apply those losses against profits from four previous years, up from two under current law. It would grant a tax credit of \$7,000 over two years to individuals who buy homes in or near foreclosure. And it would create a property tax deduction, for 2008 only, of \$500 for individuals and \$1,000 for married couples for households that do not itemize on their income tax returns.

The House Ways and Means measure includes zero-interest loans for first-time homebuyers and tax credits to spur more development of low-income housing. The package is fully offset. Both bills would provide additional tax-exempt mortgage revenue bond authority that could be used to refinance subprime mortgages or develop multifamily rental housing. A manager's amendment made several relatively minor changes to the Senate bill, including boosting the amount of counseling funds for borrowers threatened with foreclosure, to \$150 million from \$100 million. The manager's package also included language requiring that any profits generated by the use of the \$4 billion in Community Development Block Grants in the bill that are not reinvested must be returned to the Treasury after five years.

The Senate adopted, 88-8, an amendment by Maria Cantwell, D-Wash., and John Ensign, R-Nev., to extend expiring tax breaks for renewable energy and energy efficiency for a year at a cost of \$6 billion, which would not be offset. It rejected, 15-79, a second-degree amendment by Lamar Alexander, R-Tenn., to renew the tax breaks for two years instead of one while reducing the existing preference for wind power.

The House supports extension of the expiring renewable-energy tax breaks but has insisted repeatedly that the cost be offset. Earl Blumenauer, D-Ore., a member of the Ways and Means Committee, said Thursday that the demand still stands. "We're going to get energy legislation that's offset, under this Congress and president or the next Congress and president," he said. He added that the extension of the expiring tax breaks "could and should be part of" the pending housing package.

As Senate Nears Passage of Housing Bill, Attention Shifts to House

With the Senate working to wrap up action on a housing bill this week, attention is starting to shift to legislative efforts in the House. Speaker Nancy Pelosi, D-Calif., has said she would like to provide more help to struggling homeowners who have been battered by falling home prices and rising foreclosures.

Depending on how speedily the Senate moves its package (HR 3221), House leaders could add major legislation that would allow the Federal Housing Administration (FHA) to insure up to \$300 billion worth of refinanced loans to help get borrowers out of mortgages they cannot afford. Barney Frank, D-Mass., chairman of the House Financial Services Committee, and Christopher J. Dodd, D-Conn., chairman of the Senate Banking, Housing and Urban Affairs Committee, are holding hearings on similar FHA proposals this week.

On Monday, Dodd said the Senate bill would help with the housing crisis, but "this legislation falls short of its lofty title." The Foreclosure Prevention Act of 2008 includes tax breaks for money-losing businesses and an overhaul of the FHA. House Democrats also might consider adding language to the bill that would allow bankruptcy judges to modify the terms of subprime and non-traditional mortgages. But the Senate tabled, and thus killed, that language by a vote of 58-36 last week. House leaders have been reluctant to bring similar legislation to the floor.

So far, the Senate measure appears headed for relatively easy passage this week. A cloture vote is scheduled for 2:15 p.m. Tuesday, and Senate staff said the bill could pass as early as the evening. If not, the Senate is expected to complete consideration by Wednesday. The Senate still has to deal with several significant amendments. One, from John Ensign, R-Nev., and Maria Cantwell, D-Wash., would extend several expiring renewable-energy tax breaks without providing offsets.

Ensign spokesman Tory Mazzola said the senator will push for a roll call vote on the amendment, which Dodd opposes as non-germane to the housing bill. Adding the energy tax package could cause problems in the House, where Democratic leaders have hewed closely to pay-as-you-go budget rules. If the Senate adopts the amendment, House-Senate negotiators could strip it from the final bill.

Other possible amendments to the Senate bill include one from Bill Nelson, D-Fla., and Norm Coleman, R-Minn., that would allow homeowners who are behind on their mortgage payments to withdraw funds from retirement and tax-free savings accounts without early withdrawal penalties. Homeowners could avoid paying income tax on that money if they paid it back within three years.

But Dodd raised concerns about the amendment because it wouldn't require lenders to give any ground on a borrower's monthly payments. So homeowners could take money out of their accounts and meet their mortgage payments for a while longer, but find themselves back in the same pinch once the extra funds were exhausted. Meanwhile, they would have partially depleted retirement or health savings accounts and face penalties unless the loan was repaid on time. Nelson may try to modify his amendment to deal with Dodd's concerns.

Mel Martinez, R-Fla., and Thomas R. Carper, D-Del., are planning to offer an amendment that is expected to be identical to a House-passed regulatory overhaul of the mortgage finance firms Fannie Mae and Freddie Mac (HR 1427). An amendment from Benjamin L. Cardin, D-Md., would provide a temporary \$7,000 tax credit, spread out over two years, for homebuyers purchasing their first house.

In addition to Frank's FHA proposal, housing-focused legislation is moving on other tracks in the House. On Wednesday, the Ways and Means Committee will take its first crack at tax incentives focused on the housing market. The bill is expected to include enhancements to the low-income housing credit and a mortgage revenue bond provision similar to one in the Senate bill that would make more money available for refinancing of subprime mortgages. The package also will include a broader credit for home purchases than in the Senate bill, said a real estate industry tax lobbyist.

The credit is expected to be worth the same amount — \$7,000 — but be available to all first-time homebuyers, not just people who purchase foreclosed properties. The House measure also is expected to include some kind of an income eligibility cap, although specifics have not been nailed down yet.

The House tax package is expected to follow pay-as-you-go budgeting rules, which require revenue-raising offsets. The committee may include a long-discussed requirement that investment companies report to the IRS their customers' base investments in securities. Lawmakers, staff and lobbyists have been fine-tuning basis-reporting proposals, and the administration supports the concept.

The Ways and Means bill is not expected to include an expansion of the net operating loss carryback provision, which the Senate bill contains. The Senate provision would allow money-losing homebuilders and other companies to use losses from 2008 and 2009 to offset profits from four prior years, up from two under current law, and to claim any resulting tax refunds.

House Republicans Seek to Make Bush Tax Cuts Permanent

House Republicans will force a series of floor votes seeking to extend the 2001 and 2003 tax cuts, Minority Leader John A. Boehner said Thursday. Election-year votes on legislation (HR 2734) to make the current tax rates permanent would be an effort to put Democrats on the spot heading into the Nov. 4 vote. Most of the sweeping tax cuts pushed by President Bush will expire at the end of 2010.

Republicans say that would result in the largest, multitrillion-dollar tax increase in U.S. history. Democrats generally say they want to preserve some of the cuts, those that benefit the middle class, while allowing upper-bracket taxes to increase. They have shown no inclination to address the issue before the elections. "These votes will force the majority to choose between raising taxes and cutting taxes," said Boehner, R-Ohio.

The bill is sponsored by Tim Walberg, R-Mich. "The last thing families need is to be hit with a massive job-killing tax increase," he said. While Democrats say the Bush tax cuts (PL 107-15, PL 108-27) have led to record federal budget deficits and a run-up in the national debt, House GOP leaders stand by the supply-side position that maintaining the tax cuts will foster economic growth needed to eventually get out of a deficit situation.

"We have seen over the last 27 years that lowering marginal tax rates encourages economic growth, more employment and more revenue to the federal government," Boehner said. Boehner also said talk of a second economic stimulus package being sought by Speaker Nancy Pelosi, D-Calif., is premature. "Before we go taking additional steps, let's see

what impact the package we passed had,” he said. Boehner said the injection of some \$160 billion from the stimulus legislation (PL 110-185) from May through July — primarily in tax rebates — “clearly will help the economy.”

Senators Seek to Boost Visas for Skilled Workers

In the wake of a record-high number of visa applications for high-skilled workers in which limits were hit within days for the second year in a row, Sen. John Cornyn, R-Tex., introduced legislation Thursday to increase the number of such visas by supplementing current quotas with those unused from earlier years.

U.S. Citizenship and Immigration Services earlier announced it had received nearly 163,000 H-1B visa petitions during the initial five-day filing period that opened April 1, well exceeding the annual cap of 65,000 regular visas and 20,000 advanced degree visas made available for fiscal year 2009.

Successful visas in both categories will be selected next week in a random computer-generated lottery. But the overwhelming demand from businesses seeking skilled foreign workers for the second year running continues to be the subject of congressional attention, as members in both chambers grapple with how to handle unresolved aspects of immigration policy most affecting the economy.

The bill (S 2839) aims to temporarily lift what Cornyn called an “irresponsible cap” on H-1B visas by “recapturing” visas that went unused in past years, and redistributing them for use across fiscal years 2009 through 2011. “For businesses . . . to continue to grow, prosper, and create more jobs here at home, they must have the resources necessary to remain competitive in an increasingly global economy,” Cornyn said in a statement. “This legislation creates interim relief for American businesses, large and small, to help maintain out competitiveness in a global market.”

Under the plan, 150,000 unused H-1B visas would be reauthorized for future use, and annual H-1B visa caps would be increased from 65,000 to 115,000 in the regular category, and 20,000 to 30,000 for applicants with advanced degrees. The bill also includes a provision on temporary H-2B visas, extending the returning worker program for three years as well.

The bill also incorporates a few measures aimed at improving the policing of the H-1B visa program, including restrictions on companies that outsource labor or maintain a workforce of more than 50 percent H-1B visa employees, rules about advertising jobs that eventually go to H-1B workers, and an increase of filing fees from \$1,500 to \$2,250.

But critics say all the bill’s regulatory provisions are only weak conciliatory gestures unlikely to earn the support of senators such as Charles E. Grassley, R-Iowa, who oppose raising the H-1B cap because they suggest doing so will only benefit businesses who are abusing the system to bring in cheap workers for corporate benefit.

At particular issue for critics is the “recapturing” method used to excuse the number of H-1B visas. “It’s a tactic and a word game,” said John Miano, founder of the Programmer’s Guild, an organization of computer workers that opposes raising H-1B visa levels. “It’s a marketing program to try and make these increases saleable. But I’m not sure why they think this will work better than anything else.”

The 65,000 H-1B visa cap dates back to 1990, when the program was first established. Under the terms of the legislation, any visas left unused in any year would be eligible to be grandfathered into the new increased quotas – including visas that went unused during the earlier part of this decade, when H-1B visa caps were temporarily increased to 195,000 a year. By some estimates, up to 300,000 additional H-1B visas could be made available through an across-the-board recapture.

The bill has already won the co-sponsorship of other key Senate activists on the H-1B issue, including Sens. Chuck Hagel, R-Neb., Joseph I. Lieberman, I-Conn., and Judd Gregg, R-N.H., who himself authored a bill last year that proposed a permanent increase in the level of H-1B visas available, beginning in fiscal year 2008.

Democrats Defy Bush Threat to Veto War Supplemental Bill With Add-Ons

Democrats on Thursday brushed aside President Bush's vow to veto an emergency war spending bill that could contain policy strings and money for domestic programs, threatening to include Iraq-related restrictions and funding for a second economic stimulus package. Bush said he would veto any legislation that exceeds his \$108 billion request.

"If the bill meets all these requirements, it will be a strong show of support for our troops. If it doesn't, I'll veto it," Bush announced in a White House speech. Undaunted, Democrats maneuvered throughout the day to position themselves for a guns-vs.-butter fight with the administration over a range of election year spending priorities.

By tying the war funding to a host of issues including unemployment, the housing crisis and trade with Colombia, Democrats hope to paint Bush and his allies as more concerned about Iraq's problems than those at home. "The president is once again asserting that investing in America's needs is somehow 'wasteful' spending, whereas pouring countless billions into Iraq constitutes a wise investment," said Senate Appropriations Chairman Robert C. Byrd, D-W.Va. "He is flat wrong."

House Speaker Nancy Pelosi, D-Calif., said that her move to table consideration of the Colombian free-trade agreement would give her increased leverage in negotiations with the administration over a new economic stimulus package. "All the leverage was with the White House. Now we can talk," Pelosi said. "There are an array of initiatives we hope we can interest the administration in."

A new stimulus package might be attached to all or part of the supplemental funding, Pelosi said, adding that it might be raised as a stand-alone measure or attached to another legislative vehicle. Republicans, incensed by the Democrats' maneuvering, defended Bush's call for troop funding without strings or add-ons. "We will fight against any cynical attempts to attach strings to the funding bill in order to ensure our troops' defeat or pile billions more in unrelated and wasteful pork-barrel spending," said House Minority Leader John A. Boehner, R-Ohio.

Bush's threat to veto the bill if it contains policy riders or exceeds the \$108 billion remaining of his \$196.4 billion war request for fiscal 2008 left Democrats unimpressed. "It's the same thing he has said every time a supplemental has come up," said Senate Majority Leader Harry Reid, D-Nev.

Bush made a similar threat last year but wound up signing a fiscal 2007 war supplemental (PL 110-28) that included \$17 billion more than he requested, although policy restrictions were removed. The House is considering adding at least three policy riders to the supplemental bill, including withdrawal timelines for troops, an expansion of torture prohibitions to all government agencies and mandated rest time at home for soldiers equal to their deployments.

Bush did announce that soldiers deployed after Aug. 1 would face 12-month tours, down from the 15-month deployments instituted when he launched his policy of troop increases last year. Reid and Pelosi demanded that Bush allow them to write the shorter tours of duty into law, pledging to hold floor votes to that effect in both chambers.

Bush also announced that he had accepted Gen. David H. Petraeus' recommendation that troop withdrawals stop after the last of the five extra brigades of the troop increase is withdrawn in July. Following a 45-day "evaluation,"

commanders will begin an open-ended period of “assessment,” said Petraeus, the top U.S. commander in Iraq. Sen. Edward M. Kennedy, D-Mass., criticized the freeze on further troop drawdowns, saying it was “abundantly clear that President Bush is simply trying to run out the clock and hand off the mess to the next president.”

Meanwhile, Senate appropriators worked to determine what projects might be included in the add-ons they will attach to their own version of the supplemental bill. Byron L. Dorgan, D-N.D., chairman of the Senate Energy-Water Appropriations Subcommittee, said levee repairs for the Gulf Coast were among the possibilities. Tom Harkin, D-Iowa, chairman of the Labor-HHS-Education Subcommittee, said he was seeking funding for Head Start, a nutrition program for low-income pregnant women and children, a low-income energy assistance program, school construction and food stamps.

Some funding to address a \$2 billion to \$3 billion shortfall for the 2010 census also could be included. Dianne Feinstein, D-Calif., chairwoman of the Interior-Environment Appropriations Subcommittee, said she would offer an amendment to the supplemental for wildfire program funding. Democratic appropriators in both chambers expressed a mixture of confidence and exasperation when asked about their upcoming battle with the president over the money.

“If he wants to hold his breath and turn blue, why would we be surprised now?” said David R. Obey, D-Wis., chairman of the House Appropriations Committee, referring to the president. Obey’s panel had hoped to mark up the House version of the supplemental bill next week, but that target seemed likely to slip. Senate appropriators expected to follow shortly afterward. Both sides have said they would like to clear the legislation before the Memorial Day recess.

GOP Turns Up Heat on Democrats Over Obama “Bitter” Remark

Illinois Sen. Barack Obama’s remarks about “bitter” small-town Pennsylvanians could make it more difficult for vulnerable House Democrats, many of whom remain uncommitted as superdelegates to the Democratic convention, to back Obama’s campaign. A good portion of House members who have not declared their support are moderates and conservatives who represent swing districts dominated by small towns.

Republicans, in particular, sought to use the remarks to put two politically-vulnerable Democratic House members on the hot seat. The targets of the National Republican Congressional Campaign Committee were a pair of freshman Pennsylvania Democrats - Jason Altmire, who represents small towns outside Pittsburgh in the state’s 4th district, and Christopher Carney, whose 10th district covers the sparsely populated expanses of northeastern Pennsylvania.

Altmire and Carney, who are also superdelegates, have not publicly backed Obama or New York Sen. Hillary Rodham Clinton in their fight for the Democratic presidential nomination in advance of the April 22 primary. CQ Politics rates both of their districts as “leans Democratic” and as aces to watch in the upcoming elections. “It’s time for Congressman Chris Carney to step up and denounce Barack Obama’s condescending attitude about families who live in small towns and who hold a viewpoint other than Obama’s,” NRCC Spokesman Ken Spain said in a Saturday statement that echoed one aimed at Altmire a day earlier.

The Republican line of attack did not end there. By the middle of the afternoon, releases had been put out targeting lawmakers whose states have already voted but who have not committed in the presidential race.

“Senator Obama already had a problem connecting with rural and small town voters and now we know why. Democrats should be prepared to take a position in this presidential contest or prepare to have their hand forced,” Spain told CQ Politics on Saturday afternoon. “Voters in Pennsylvania and in states like Indiana and North Carolina deserve to know if their Democrat representative is willing to tolerate these kind of insults to their constituents’ culture and religion.”

In addition to Altmire and Carney, first-term lawmakers like Heath Shuler in North Carolina's 11th district and Indiana congressmen Joe Donnelly (representing the 2d district), Brad Ellsworth (representing the 8th district) and Baron P. Hill (representing the 9th district), both of have not officially taken sides as superdelegates to the Democratic convention in August. North Carolina and Indiana have their own presidential primaries May 6.

Obama had said at a private fundraiser in San Francisco last Sunday that it is unsurprising that the reaction to job losses and broken political promises among many Pennsylvanians is that they "get bitter, they cling to guns or religion or antipathy to people who aren't like them or anti-immigrant sentiment or anti-trade sentiment as a way to explain their frustrations." The comments were made public in the Huffington Post yesterday.

The remarks sparked a furious rhetorical firefight between the Democratic candidates and their campaigns. They also gave Republicans - and the Clinton camp - an opening to paint Obama as an elitist who is out of touch with Americans who fall in the middle and lower ranges of the economic spectrum. Clinton, who has been slipping in most Pennsylvania polls, took issue with Obama's characterization of people who "cling" to guns and to religion.

"The people of faith I know don't 'cling to' religion because they're bitter. People embrace faith not because they are materially poor, but because they are spiritually rich," Clinton said. She also blasted Obama for "looking down" on other Americans, a charge that drew a rapid response from Obama's camp.

"We won't be lectured on being out of touch by Senator Clinton, who believes lobbyists represent real people and is awash in their money and who can't tell a straight story about her lengthy record of supporting trade deals like NAFTA and China that have devastated communities in Pennsylvania and Indiana," Obama spokesman Hari Sevugan said in a statement issued Saturday.

Campaigning in Indiana Saturday, Obama said conceded that he didn't express himself "as well as I should have," but he also defended the point he was trying to make. "Lately there has been a little typical sort of political flare up because I said something that everybody knows is true which is that there are a whole bunch of folks in small towns in Pennsylvania, in towns right here in Indiana, in my hometown in Illinois who are bitter. They are angry," Obama said in Muncie, Ind., Saturday.

"They feel like they have been left behind," he continued. "They feel like nobody is paying attention to what they're going through. So I said well you know when you're bitter you turn to what you can count on. So people they vote about guns, or they take comfort from their faith and their family and their community."

"(Obama) was saying what many people believe but few are comfortable saying," said a Democratic strategist who is not affiliated with either campaign. "Maybe he could have said it a bit differently, but all spin aside it hard to disagree with what he was trying to say. The Clinton campaign is ginning this up in order to play to the concerns of superdelegates. If Obama continues to have the lead in votes, I refuse to believe that any superdelegate would be dumb enough to fall for this ploy."

The fireworks over the "bitter" remark come just weeks after Obama refused to "disown" his controversial preacher, the Rev. Jeremiah Wright, for comments that were taken by some as derogatory toward whites and the United States. As far as the potential fallout from the national campaign when it comes to congressional races, North Carolina's Shuler is getting political pressure from the left as well as the right these days.

Earlier this week, a group called America's Voice, blasted Shuler for pushing an immigration enforcement bill. The press release was distributed by a public relations firm owned by two high-ranking Obama campaign aides, Steve Hildebrand and Paul Tewes, that does work for America's Voice. Though the men still own the firm, they are not currently involved

in its day-to-day operations, according to Hildebrand and Managing Director Cara Morris Stern. "Paul Tewes and I both took a complete leave of absence from our firm 14 months ago to devote all of our time to Barack's campaign," Hildebrand said.

"They are still owners of the firm but do not participate in any client business," Morris Stern said. "The press release was sent on behalf of America's Voice, an issue campaign dedicated to changing the debate on immigration reform and challenged recent events surrounding Congressman Schuler's immigration bill known as the SAVE Act."

The Rise and Fall of Ron Paul

For Republicans and Democrats alike, Republican Texas Congressman Ron Paul's departure from the Presidential race may have been a welcome exit. But for the millions of Americans to whom Paul was a hero and cause, it was devastating. When he entered the race, Paul was a relatively unknown representative from southeastern Texas. Soon thereafter, he exploded onto the national scene.

Congressman Paul's following seemed to center around Paul's vehement anti Iraq War sentiment. In addition to that thinking, he was quasi libertarian in his views. This appealed to Republicans, Democrats, and Independents alike of the younger generation. Historically, the youngest voters might have made a lot of noise, but when it came to results, they wouldn't follow through. With Paul, it might be the case that he didn't get the votes, but he definitely got the money through fundraising.

In early December 2007, Paul racked up millions of dollars in an historic 24 hour fundraising stint. According to federal records, much of Paul's donations came from individuals as opposed to special interests. So where did he fall short? Why didn't Paul's campaign gain traction among the rank and file in the GOP? Those answers may be difficult to ascertain. In addition, the effect of Ron Paul for the rest of the campaign has yet to pan out.

On The Campaign Trail

TEXAS and OHIO

The Texas and Ohio Democratic contests seemed to have been Hillary's Last Stand, and she prevailed. In Texas, Sen. Clinton was able to nudge Sen. Obama and remain in the race. The final results of the primary were 51% for Clinton and 47% for Obama.

In the Buckeye State, Sen. Clinton won with 54% to Sen. Obama's 44%. The demographics in both Texas and Ohio seemed to favor the New York Senator.

PENNSYLVANIA

On April 22, Pennsylvanians will be going to the polls to cast their ballots for the Democratic nominee. Barack Obama and Hillary Clinton have been battling, sometimes ruthlessly, throughout the primary season since the first elections in Iowa and New Hampshire. Pennsylvania could very help to decide if Mrs. Clinton remains in the race or if she concedes to the Illinois senator.

Gov. Mike Huckabee

Former Arkansas Governor Mike Huckabee who made a valiant run to be the GOP nominee for president dropped out of the primary race in March due to Sen. McCain's overwhelming delegate count. Since his departure, insiders have

mentioned the rock band, former Baptist minister as a possible vice presidential candidate or even RNC (Republican National Committee) Chairman.

Delegate Counter

Hillary Rodham Clinton: 1486 (super delegates included)

Barack Obama: 1625 (super delegates included)

John McCain: 1325

Possible Vice Presidential Candidates:

Hillary Rodham Clinton: Sen. Evan Bayh (IN) Gen. Wesley Clark
Gov. Phil Bredesen (TN) Gov. Brian Schweitzer (MT) Former Gov. Tom Vilsack (IA)

Barack Obama: Gov. Kathleen Sebelius (KS) Gov. Bill Richardson (NM)
Gov. Janet Napolitano (AZ) Gov. Phil Bredesen (TN) Gov. Brian Schweitzer (MT)

John McCain: Gov. Charlie Crist (FL) Former Gov. Mike Huckabee (AR)
Sen. Sam Brownback (KS) Sen. John Thune (SD)



MITSUI GLOBAL PRECIOUS METALS

Sydney • Hong Kong • Tokyo • London • New York

Silver Market Update - 28 March, 2008

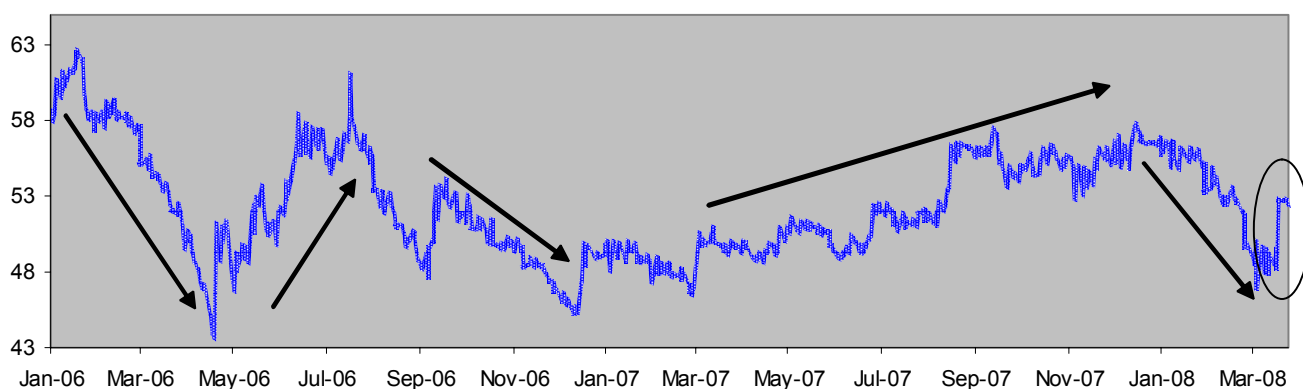
17th March 2008	Close	1 Month	YTD	1 Yr
Silver	20.15	18.04%	35.87%	53.93%
Gold	1002.3	11.12%	19.81%	53.56%
Platinum	1,980	-4.12%	30.17%	62.96%
Palladium	465	-6.65%	26.70%	33.43%
Oil	105.68	10.81%	10.03%	68.36%
EUR/USD	1.5727	7.15%	7.78%	18.09%

Silver's performance across a number of time periods is stacked against that of its fellow precious metals, the EUR/USD and oil in the tables above. It is clear from the groupings on the LHS that silver outshone the bulk of this limited selection in the last month and in the year to date. However, following the metals 20% decline between 17th and 20th March, much of the March gloss was eroded. Moving across to silver's performance to the 26th March; the

RHS table clearly indicates the continuance of the white metal to surpass much of its precious counterparties in the very limited term, with only platinum overtaking in the year to date. While this short term production looks rosy, the medium term picture reveals that silver's most recent brutal wash out allowed gold to eclipse the metal on a year-on-year basis.

Since the beginning of 2008, contagion from international financial markets and dollar weakness have acted as the prime factors for investors to pour into this market. The recent silver price has been a clear contradiction of its poor fundamental situation. If we relied on the supply / demand analogy alone, a price in the region of \$10 would be more appropriate. However, the world of precious metals that we currently occupy does not recognise this fact. Despite the pressure on industrial consumption, investors have become the deciding force in silver's price direction. Therefore, the violent move downwards during Easter Week acts as a reminder of how quickly this market can collapse. Investors have proven their fickleness in the past and they will continue to do so in the future. While silver's performance so far in 2008 is respectful, and we believe the metal can reach a high of \$25, banking on the staying power of this metal at such lofty levels is a dangerous trade.

Gold / Silver Ratio



Gold / Silver Ratio: We revisited this relationship last month and the gold / silver ratio reflected the strong performance of the white metal against that of gold. With the ratio gaining increased attention from traders, the market was targeting a push towards 45. However this relationship altered course on the 17th March, and gold returned to its chief performer status. Of course, with only the most recent turnaround in direction guiding the trend, it may be too early to tell if silver can restore its initial 2008 strength. However, we are going to stick with our earlier belief that *“over the next 12 months, while silver may enjoy pockets of strength relative to gold, on balance we anticipate gold will maintain its lead performer status.”*

This research is for our clients' information purpose only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Any comments or statements made herein do not necessarily reflect those of Mitsui and Co. Precious Metals, Inc., its subsidiaries and affiliates. We and our affiliates, officers, directors, and employees will from time to time have long or short positions in, act as principal in, and buy or sell, the precious metals referred to in this research or derivatives thereof. No part of this research may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of Mitsui and Co. Precious Metals, Inc..