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This Week You Need To Know

History as Drama: **The Transit of a 'Cold War' Liberal** **by Lyndon H. LaRouche, Jr.**

Richard Hofstadter: An Intellectual Biography, by David S. Brown; Chicago: University of Chicago Press, 2006; 320 pages, hardcover, \$27.50. As reviewed by the New York Times Book Review Editor Sam Tanenhaus, "The Education of Richard Hofstadter," Sunday, Aug. 6, 2006.

August 8, 2006

If the presently imperilled U.S.A. is to be saved from that virtual state of bankruptcy, and worse, which it has permitted itself to enter today, the relevant lesson from the history of ancient Athens must be applied to not only our own citizenry, but that of western and central Europe. The recently revived attention to the case of ex-Communist and "Cold War Liberal" Richard Hofstadter, is a relevant case in point. Thirty-five years after his death, the effects of the influence of this "Cold War Liberal" and other ideologues of his type, are erupting like an old volcano on our world of today.

A philosophical Liberal, such as Hofstadter became, is one of a species of follower of Venice's New Party founder Paolo Sarpi (1552-1623): a figure like the Thomas Hobbes (1588-1679), who was the student and follower of Sarpi's lackey Galileo (1564-1642), and who belonged to a category of ideologue which never breeds exactly true to its type. It is for reason of his slippery lack of a well-formed moral character, that such a brutish figure as Hobbes is rightly classed as a Liberal. It is ironical, that in the self-doomed ancient Athens whose Democratic Party perpetrated the judicial murder of Socrates, these types were known as the Sophists, the ancient name for our Liberals of today....

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

Latest From The Worldwide LaRouche Youth Movement

LYM Takes Anti-Fascist Battle To Rohatyn's Home Turf in NYC **by Matthew Ogden, LaRouche Youth Movement**

In his December 1971 debate against liberal economist Abba Lerner, Lyndon LaRouche gained notoriety among the New York synarchist financiers as the man who blew the lid off their plot to impose economic fascism on the United States. As he exposed Lerner's "Schacht without Hitler" version of Nazi economics,* he is blowing the lid again today off Felix Rohatyn's plot to use the Democratic Party to privatize the entire United States and turn it into a mere franchise of an international banking cartel. As part of the LaRouche Youth Movement (LYM)'s ongoing mobilization all across the country to free the Democratic Party from its folly by destroying Rohatyn politically, we returned to New York City,

Rohatyn's home town, to deliver a public ass-kicking for all his neighbors to see.

On Aug. 7-9, seventeen members of the LYM engaged in mass organizing, from early morning till night, penetrating all different areas of Manhattan, blanketing downtown and midtown with literature (406 bundles distributed total), and polarizing the political environment with, especially, singing. We sang political canons, set to tunes by Mozart and Beethoven. For example:

To the tune of "Herr Ganzewitz":

There is something rotten,

Rohatyn, rotten, Rohatyn, rotten!

Democrats, you know LaRouche says so,

He's got to go, that stinking fascist

Rohat-rotten!

He's a Nazi, he's a Nazi,

He's a Nazi, not a Democrat.

....

InDepth Coverage

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[by Lyndon H. LaRouche, Jr.](#)

Richard Hofstadter: An Intellectual Biography

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Strategic Studies:

IN THESE NEW YORK TIMES

President George W. Nero

by Lyndon H. LaRouche, Jr.

August 6, 2006

Everywhere, in the signs from Southwest Asia and the U.S. and European financial markets, we are seeing, without the slightest cause for equivocation, the announcement of the end, not of history, but of the legend of Francis Fukuyama. The present signs of that are now rising almost everywhere.

- **In Your Guts, You Know He's Nuts**

by Jeffrey Steinberg

The word is circulating in high-level Republican Party circles that former President George H.W. Bush is profoundly worried about the mental state of his son, the current President.

LaRouche Offers Qualified Endorsement of UN Res. 1701

On Friday, Aug. 11, 2006, the United Nations Security Council unanimously approved Resolution 1701, calling for an immediate ceasefire in Lebanon, and spelling out the terms of a phased withdrawal of all Israeli forces from Lebanon, as both an augmented United Nations Interim Force In Lebanon (UNIFIL) and troops from the Lebanese Army, assume security control of the area south of the Litani River.

Russian General: LaRouche Is Right; Financial Oligarchy Is Behind This War

by Rachel Douglas

Gen. Col. Leonid G. Ivashov, the outspoken former head of the International Military Cooperation Department of the Russian Ministry of Defense, has published a strategic assessment of the current fighting in Southwest Asia, which coincides in many points with the assessment issued July 23 by Lyndon LaRouche ('Stop Being a Dupe! Know Your Actual Enemy,' EIR, Aug. 4), whom Ivashov cited in the article. The commentary was published Aug. 7 by the Russian online Marketing and Consulting Information and Analysis Agency.

- **Documentation: General Ivashov**

The Parties to the Israel-Lebanon Conflict

The article by L.G. Ivashov, general colonel, vice president of the Academy of Geopolitical Studies, which is excerpted here, appeared in Russian on the Marketing and Consulting Information and Analysis Agency web site (www.iamik.ru), Aug. 7, 2006.

Lyndon LaRouche on Rense Show

'We're in Asymmetric Warfare, So Only Political Solutions Can Succeed'

Lyndon LaRouche was interviewed by Jeff Rense on www.rense.com on Aug. 7, 2006. We publish major excerpts here.

Book Review

Bush on the Ceiling, But Off the Wall

by Jeffrey Steinberg

In light of recent reports that President George W. Bush is in an unreachable state of what some would dare to allege as absolute insanity, the editors of EIR have decided that it is appropriate to republish this 2004 book review of Dr. Justin Frank's important book, *Bush on the Couch—Inside the Mind of the President*. The review was originally titled 'The Ugly Truth About G.W. Bush,' and appeared in EIR of Aug. 20, 2004.

Economics:

WHY INDUSTRIAL MANAGEMENT HAS FAILED

Auto and Air Industry in the Pit

by Lyndon H. LaRouche, Jr.

August 6, 2006

One of the crucial changes in industrial policy which erupted in the wake of the U.S. stock-market crash of October 1987, was the maddened lurch toward eliminating the costs of design engineering through the substitution of what was inherently incompetent reliance on what was called 'benchmarking' for the customary methods of experimental science. More than fifteen years later, the deadly impact of that change toward incompetence in corporate industrial management, has now caught up with the economy, more or less worldwide.

Engineering Services Offshore

Globalist Pipe Dream: Everything Offshore

by Marcia Merry Baker

ESO—Engineering Services Offshore—is currently in the headlines as the new frontier of global outsourcing for everything from engineering design for autos, to aircraft, to construction. A new report lauding ESO, and promoting India as a potential world center, was released this Summer by Booz Allen Hamilton, the U.S.-based management consulting firm, which operates on behalf of globalization, and by Nasscom, the Indian association for IT (infotech) services and software.

Report From Ground Zero

Smoke Rising From Loudoun Housing Bubble

by L. Wolfe

As we head into a fateful period of weeks at the end of the world financial system, there are some ominous sounds coming from Loudoun County, Virginia, the northern suburb of Washington, D.C. that Lyndon LaRouche has termed the 'Ground Zero' of the multitrillion-dollar U.S. residential real estate and mortgage bubble.

Capital Investments Plunging in Germany

by Lothar Komp

Looking at export figures for the last few years, it seems that the German economy is stronger than ever. No other country, including Japan and China, sold more goods in international markets in 2005. The German export of machines, automobiles, and other capital goods even surpassed the export volume of the supposedly booming U.S. economy, which is five times bigger. The German trade surplus last year reached 150 billion euros, the biggest surplus ever, in spite of the extreme price increases for imported commodities.

Report From Germany

Wal-Mart Has To Be Exposed—Always

by Rainer Apel

The monster of anti-unionism and brutal cost-cutting is pulling out of Germany, closing 85 stores. Good riddance!

Investigation:

NEO-CONS MOVE TO UNITED KINGDOM

The Henry Jackson Society: Would-Be Fascist World Rule

by Scott Thompson and Michele Steinberg

On July 14, as Israeli bombers began their 5,000 sorties against Lebanon, including the devastation of Beirut, the mass murder of civilians in the town of Qana, and repeated assaults on other civilian population centers, a would-be Nuremberg Rally occurred on a small scale in an undisclosed location in Britain, where some 200 aficionados of the Henry ('Scoop') Jackson Society cheered the United Kingdom's support for the American-backed Israeli actions, and declared that this was 'The British Moment.'

National:

With the Lieberman Defeat, Rohatyn's DLC is Doomed

by Nancy Spannaus

The defeat of the leading Republican Bush-lover in the Democratic Party, Joe Lieberman, in the Senate Democratic primary in Connecticut on Aug. 8, has thrown a huge monkeywrench into the efforts of the Felix Rohatyn-funded Democratic Leadership Council (DLC) to stage a comeback in the runup to the November Congressional elections. The field is now wide open for the Democrats to turn to Lyndon LaRouche's leadership, especially as LaRouche has been the spearhead of the anti-Lieberman drive. Any other course is going to lead, quite predictably, to a smashing Democratic defeat in November.

LYM Takes Anti-Fascist Battle To Rohatyn's Home Turf in NYC

by Matthew Ogden, LaRouche Youth Movement

In his December 1971 debate against liberal economist Abba Lerner, Lyndon LaRouche gained notoriety among the New York synarchist financiers as the man who blew the lid off their plot to impose economic fascism on the United States. As he exposed Lerner's 'Schacht without Hitler' version of Nazi economics,* he is blowing the lid again today off Felix Rohatyn's plot to use the Democratic Party to privatize the entire United States and turn it into a mere franchise of an international banking cartel.

Rumsfeld, General Abizaid Admit: We Face 'Asymmetric and Irregular Warfare'

by William F. Wertz, Jr.

As the result of forceful questioning by both Republican and Democratic Senators, during a hearing of the Senate Armed Services Committee on Aug. 3, Defense Secretary Donald Rumsfeld and Gen. John Abizaid, head of the U.S. Central Command, were forced to admit the reality of what Lyndon LaRouche has described as 'the onrushing threat of a modern nightmare of asymmetric World War III.' This crucial aspect of the hearing has been blacked out by the press.

- **Hagel: We Need a Regional Security Conference**

Speaking with anchor Bob Schieffer on CBS's 'Face the Nation' on Aug. 6, Sen. Chuck Hagel (R-Ne.) put forward a rational perspective on the conflict in Southwest Asia...

International:

JUÁREZ'S CHALLENGE

'The People That Wishes To Be Free, Shall Be So'

by Gretchen Small

As the tumultuous Mexican election battle escalated, the LaRouche Youth Movement (LYM) introduced a new flank on Aug. 10: a message of support for Andre's Manuel Lo'pez Obrador's civil resistance movement to secure a full recount of the July 2 Presidential election, sent by that heroine of Dr. Martin Luther King's civil rights struggle in the United States, Amelia Boynton Robinson. Recalling the trials endured by Dr. King's movement before justice was finally won, Mrs. Robinson urged Mexicans to take heart from the long battle waged by President Benito Juarez, to drive foreign invaders out, and restore Mexican sovereignty.

- **Amelia Boynton Robinson: Honor Legacy of Juarez**

At the request of the LaRouche Youth Movement in Mexico, Amelia Boynton Robinson taped the following message of greeting to

EIR Team in Nigeria Infrastructure Takes Root in Niger Delta

by Lawrence K. Freeman

Sir Henri Deterding, who created the Royal Dutch Shell oil company in the early 20th Century, and later supported Adolf Hitler's drive to create a Third Reich Empire, would be happy to see how Royal Dutch Shell has destroyed Nigeria, and prevented it from becoming an independent sovereign nation.

Nigeria Needs All Types of Industry

by Summer Shields, LaRouche Youth Movement

In the year 2000, NASA released a composite of hundreds of photographs taken by the Defense Meteorological Satellites Program, titled 'Earth at Night.' As the name suggests, the final image is a view of the Earth from space at night. Mankind's subduing of the Earth through infrastructure development is made clear by the intensity of man-made lights on the Earth's surface, as visible from space. The darker areas are the lesser-developed regions. In viewing this map, one cannot help but notice that the largest expanse of darkness, in terms of land area, exists on the continent of Africa. This is not what should be meant when one says 'black Africa'

Interview: Gov. Peter Otunuya Odili, M.D.

Large Infrastructure Key to Nigeria's Future

Dr. Odili is governor of Rivers state, Nigeria, in the Niger Delta region. The second largest oil-producing state, it is the heart of the nation's hydrocarbon deposits, and is known as the 'treasure base' of the nation. The Niger Delta region is also the world's second largest wetland area. Odili was interviewed by EIR's Lawrence Freeman on Aug. 1, 2006, in Port Harcourt, the state capital. Also taking part in the interview was Prof. Charles C. Okigbo, Ph.D., Department of Communication, North Dakota State University.

French State Wants To Silence Presidential Candidate Cheminade

The following statement was released on Aug. 5 by Jacques Cheminade, the head of the LaRouche movement in France, and a candidate in the French Presidential election of 2007, running in support of a New Bretton Woods agreement, and in defense of the tradition of the French nation-state, which fought for and inspired the American Revolution.

Israeli Peace Groups: Stop This Accursed War

As Israel becomes increasingly enmired in a Thirty Years' War scenario, the voices for peace inside the country are struggling to put forward an outlook supporting a just peace to a blinded population. Ten thousand peace advocates marched through Tel Aviv Aug. 5, in the weekly Saturday evening peace demonstration (given Israel's population of less than 7 million, this is like a 400,000-person U.S. gathering). The demonstrations began on day one of the war, and have gathered strength, although demonstrators are still meeting harassment by onlookers and police, and a general press blackout.

Editorial:

The Crash of 2006

As of Aug. 10, it had become obvious that the global break in the economic, financial, and political situation, which Lyndon LaRouche had forecast on April 20, 2006 to be coming by not much later than September 2006, was 'on.' It can be expected to proceed with mounting force in the immediate period ahead. The impulse toward this global breakdown crisis is the crucial element that must be understood, in order to comprehend why the synarchist banking establishment is currently ramming through the insane Israeli escalation toward World War III.

U.S. Economic/Financial News

Rohatyn's Big MAC Caused 'Excessive Disease Burden' on NYC Population

A new study by public-health experts documents how Felix Rohatyn's 1975 Big MAC assault on New York City caused an

"excess disease burden on the population." The research team is associated with various medical institutions of New York, and its article appeared in the March 2006 issue of the *American Journal of Public Health*, published by the American Public Health Association. In 1975, synarchist banker Felix Rohatyn designed and chaired the Municipal Assistance Corporation known as Big MAC, which imposed fierce austerity on the city, overseeing the budget for over 20 years. This abstract appears on the journal's website:

"In 1975, New York City experienced a fiscal crisis rooted in long-term political and economic changes in the city. Budget and policy decisions designed to alleviate this fiscal crisis contributed to the subsequent epidemics of tuberculosis, human immunodeficiency virus (HIV) infection, and homicide in New York City.

"Because these conditions share underlying social determinants, we consider them a syndemic, i.e., all 3 combined to create an excess disease burden on the population. Cuts in services; the dismantling of health, public safety, and social service infrastructures; and the deterioration of living conditions for vulnerable populations contributed to the amplification of these health conditions over 2 decades.

"We estimate that the costs incurred in controlling these epidemics exceeded \$50 billion (in 2004 dollars); in contrast, the overall budgetary saving during the fiscal crisis was \$10 billion. This history has implications for public health professionals who must respond to current perceptions of local fiscal crises."

The Curse of Lazard Advisors at UAW

The Vice President of the UAW for Ford employees, Bob King, spoke at a JP Morgan Chase-sponsored conference in Chicago on Aug. 8; King offered Ford management further negotiations, expanded buyouts, and other cost-cutting measures now, to help out the new management team. King praised that team, including Mark Fields, the faker who wrote the secret memo about the "down Mexico way forward" which got leaked in June.

King, according to *Detroit News* reports, said the UAW "wouldn't rule out anything," including a merger or alliance by Ford with a foreign automaker. Ford is already buying out 12,000 employees into retirement by the end of this year, part of the 70,000 autoworkers being washed out of the industry by GM, Delphi, and Ford combined. King's offer was to increase that. This would set up more plant closings—perhaps the "seven more plants" rumored in reports from contacts on Aug. 5.

Ford, with its new senior advisor from Goldman Sachs, Kenneth Leet, was not previously reported to be planning new plant closures and buyouts, but rather other desperate moves—such as the sale of a major interest in Ford Credit; sale of Jaguar, perhaps Volvo, etc.

Word of King's speech and its implications has already reached Ford plants, and there are unconfirmed reports that Ford may announce, as early as Aug. 11, the "early" closing of a major East Coast assembly plant, in Norfolk, Virginia. The plant will be shut at least half of the time from now to Dec. 31. Other reports target the Louisville, Kentucky truck assembly plant, and others.

DOE Plan Will Make 'Transmission Congestion' Even Worse

In the wake of weeks of power-transmission failures nationwide over the summer months—failures rightly blamed on electricity deregulation—the Department of Energy on Aug. 8 released a report on "transmission congestion" whose proposals would make the situation worse. "National Electric Transmission Congestion Study 2006" was mandated by the 2005 Energy Policy Act, which in turn reflected Dick Cheney's energy looters' Task Force Report—combining price increases and more profitability for energy multinationals, with certain supports for nuclear power (and "other alternative

sources").

The report identifies the worst "transmission congestion" areas as the New York-to-Washington, D.C. corridor area, and Southern California; and other "transmission congestion concern" areas as Boston, Seattle/Portland, Northern California, and Phoenix/Tucson. But does it recommend new capacity and new investment in the local transmission grids *in* those areas, as in the era of regulated utilities? Oh, no.

Rather, it recommends—and says it may mandate and even build—new *long-distance* transmission "corridors" to help the deregulated "merchant" power companies *ship* power to those areas from far-distant regions of North America. In fact, the DOE defines "congestion" at the outset, as a reliability constraint which keeps electricity flows across a transmission line below "the desired level"—that desired by the deregulated merchant companies wheeling their purchased power around the continent.

And the Energy Department assigns to those source regions their power sources to be developed—coal and wind from the Rocky Mountain areas; oil sands, natural gas, and wind from Western Canada; coal from Illinois, West Virginia, and Kentucky; nuclear from the Southeast, etc.—as if on Dick Cheney's pre-war oil-field map of Iraq. The result would be no better.

Maryland County Offer Incentives for New Nuclear Plant

The Board of Commissions of Calvert County, Maryland has voted to offer Constellation Energy major property tax credits if it will build a third nuclear reactor at the Calvert Cliffs site, PR Newswire reported Aug. 8. The Board cites the economic benefit to this, the smallest of Maryland's counties, with only 88,000 people. The construction of a new plant would provide 3,200 temporary jobs, and 400 new permanent, high-paying, skilled jobs. The Board states that the "potential tax benefits to the County and State are staggering: in FY06, Calvert Cliffs Nuclear Power Plant contributed \$15.5 million to the County," paying more than \$173 million since the first unit opened in 1973.

The Calvert Cliffs site was originally designed for four reactors, and it is the only nuclear facility in Maryland. It was the first commercial nuclear plant to receive 20-year re-licensing, in 2000. Constellation Energy will soon choose one among of a number of sites for a new nuclear plant. Last week, it announced it had placed orders for the long-lead-time forgings that will be needed for a new build.

World Economic News

China Begins To Close Its Doors to Equity Funds

A planned Carlyle Group takeover of a Chinese machinery company, Xugong Construction Machinery, has become "a lightning rod for unease at the intrusion of foreign companies into the Chinese economy," according to *The Australian* Aug. 9. The \$375 million deal would be the largest-ever private equity deal in China, but approval has been stalled for over ten months, as an outcry against the deal is given public voice. At the same time, Citigroup and Société Générale of France are both leading consortiums that have submitted \$US3 billion-plus bids for the Guangdong Development Bank, which has hung in the balance for more than a year amid a dispute over how much control to give foreign investors.

A general cooling towards foreign investment is due in part to the effort to stop speculation in the property market and other sectors. New regulations place restrictions on foreign investment in real estate, the Internet, and machinery. Foreign Direct Investment is still welcome, but the buzz of locusts is causing concern.

United States News Digest

U.S. Neo-Cons Press Israel Not To 'Wimp Out' in Lebanon

The Jewish weekly *Forward* reported in its Aug. 11 issue that "Staunchly pro-Israel conservatives with close ties to the Bush administration say that Jerusalem is hindering America's global war on terror by failing to wage an all-out war to eliminate Hezbollah," and cites Newt Gingrich, Charles Krauthammer, and Ariel Cohen of the Heritage Foundation. MSNBC reported Aug. 8 on an article in the *Washington Times' Insight* magazine, that a State Department source said, "quote, 'One Jewish friend of Bush actually called up a senior Israeli official and began yelling, What the hell's going on here? Are you going to fight, or what?'"

Gingrich is quoted in the *Forward* article dismissing Israel's bombing campaign and saying that Israel should have called up the reserves "and gone all out in Lebanon from the first 24 hours." Gingrich told *Forward*, that any Israeli restraint is "an absolute formula for disaster."

Charles Krauthammer's *Washington Post* column is also quoted, to the effect that Prime Minister Olmert's "unsteady and uncertain leadership" is threatening the Bush Administration's confidence in Israel as a dependable and strategic ally in the war on terror. In that article, Krauthammer threatened that "Israel's leaders do not seem to understand how ruinous a military failure in Lebanon would be to its relationship with America, Israel's most vital lifeline." He also remarked that the U.S. green light to Israel for operations in Lebanon is not simply a favor to Israel, because America needs Hezbollah defeated; unlike other terrorist groups, he said, Hezbollah is a serious enemy of the U.S.

Entire Army Brigade Dissolved After Its Return from Iraq

The 3rd Armored Cavalry Regiment, which received highly publicized praise from President Bush last winter for its counterinsurgency work in Tal Afar, Iraq, practically dissolved after its return home to Fort Carson, Colo. As soon as the stop-loss order—a measure that keeps soldiers in the Iraq, even after their tour of duty is up—was lifted, 1,500 soldiers in the unit left the Army. Another 1,500 were given early discharges for a variety of physical, medical, mental, and behavioral problems, leaving 2,000 soldiers in the unit.

Senate Slashes Funds for Traumatic Brain-Injury Research

In yet another example of how budgets can kill, both the House and Senate versions of the Fiscal 2007 Defense Appropriations Bill cut funding for the Defense and Veterans Brain Injury Center by half, from \$14 million allocated in 2006 to \$7 million for next year, *USA Today* reported Aug. 8. The center does research on how to treat military personnel suffering from traumatic brain injury, described as the "signature injury" of the Iraq war.

"I find it basically unpardonable that Congress is not going to provide funds to take care of our soldiers and sailors who put their lives on the line for their country," says Martin Foil, a member of the center's board of directors. "It blows my imagination." A spokesman for the Senate Appropriations Committee complained that there wasn't enough money in the budget for the center. The senators, she said, "didn't have any flexibility in such a tight fiscal year."

The center estimates that 10% of all troops who serve in Iraq, and 20% of front-line infantry troops, suffer concussions during their combat tours, and many experience both physical and mental-health problems as a result. The Pentagon, however, still refuses to screen returning troops for symptoms of brain injury.

Israeli Spy Company Charged with Securities Fraud

Three former officials of Comverse Technology Inc.—one of the Israeli telecommunications companies profiled by *EIR* in 2001-02 as part of the Israeli spy apparatus inside the United States—were charged with securities fraud Aug. 9, in a criminal complaint filed by the U.S. Department of Justice in Brooklyn.

As *EIR* reported Feb. 1, 2002, Comverse is one of the leading suppliers of wiretapping equipment to the U.S. government, and many intelligence and law-enforcement officials believe that Israeli intelligence obtained direct access to U.S. government wiretap information through Comverse. The company was established in the U.S. in 1984; one of its founders was Kobi Alexander, described in media reports as having served in the Israeli armed services "as an intelligence officer in an elite commando unit." Ariel Sharon was reportedly a major investor in Comverse.

Alexander, who became chairman and CEO, was one of those charged Aug. 9, along with former VP and CFO David Kreinberg, and former General Counsel and Secretary William Sorin. All three resigned in May while under investigation.

The Justice Department says that more than \$57 million of illegal proceeds of the stock options back-dating scheme, was secretly transferred to accounts in Israel.

Interestingly, the charges were announced by Deputy U.S. Attorney General Paul McNulty, who personally headed the investigation into another piece of the Israeli spy network, which resulted in the indictment of former Pentagon analyst Larry Franklin and two top AIPAC officials in Alexandria, Virginia.

FEMA Contractors Made Billions from Hurricane Katrina

Senators Byron Dorgan (D-ND) and Mary Landrieu (D-La) demanded that the Inspector General of the Department of Homeland Security investigate, for the second time, four no-bid contracts for 150,000 trailers to house Katrina evacuees, which went to Bechtel, CH2M Hill Inc., Fluor Corp., and Shaw Group Inc., according to the Brookings Institute's August "Katrina Index." One aspect under investigation, is how it has come to pass that the four contracts let out originally for \$400 million have ballooned to \$3.4 billion! The trailers, rather than temporary housing, were signed off on by Vice President Cheney during the immediate aftermath of the Katrina and Wilma hurricanes *despite* his knowledge that they could not all be delivered in a timely manner.

The investigation comes none too soon, as FEMA, under DHS chief Michael Chertoff, who has championed "the re-engineering of FEMA to tap private expertise," as the *Washington Post* put it, has just forward-contracted \$4 billion with big engineering firms and the U.S. military for emergency supplies and services to be activated when a new disaster strikes.

Meanwhile, an index compiled by the Brookings Institution indicates that displacement and despair continues in New Orleans one year after Hurricane Katrina. Here are the most notable indicators:

- * The housing market tightened as rents and home prices rose, e.g., rents are up 39% over a year ago;
- * unemployment rates remain higher than pre-Katrina, now at 7.2% in New Orleans; and
- * public services and infrastructure remain thin and slow to rebound; e.g., only half the city bus routes are usable, with only 17% of buses in use, meaning that the level of service has not changed since January 2006.

Governors Have 'Utter Disdain' for Congress

"Utter disdain for Congress" was the common theme weaving through Democratic and Republican governors' interviews and informal comments at the annual National Governors Association (NGA) conference over the Aug. 5-6 weekend. According to *Washington Post* columnist David Broder, "relationships between governors and Washington are poisonous."

Mike Huckabee, Republican Governor of Arkansas, newly retired as chairman of the NGA, said, "What upsets us is the same thing that frustrates our voters. Whatever problem you're concerned about, all you see in Washington is gridlock." Huckabee described as "dysfunctional" the refusal of the Republican leadership to attempt to reconcile the competing House and Senate immigration bills. The new NGA chairman, Democrat Janet Napolitano of Arizona, said, "They're just not getting it done.... Immigration is the biggest issue in my state. A million people are marching in the streets. States are spending hundreds of millions trying to cope with the influx. So they pass two bills, and they won't even go into a meeting room to put them together. It's ridiculous!"

Gov. Bill Richardson, Democrat of New Mexico, said, "Congress has gone from unresponsive to hopeless. On everything from the minimum wage to immigration to energy, they've just given up. No one expects anything from them." Republican Gov. Mitt Romney of Massachusetts repeats his wife's assessment, that Congress is like "two guys in a canoe that is headed for the falls, and all they do is hit each other with their paddles." He continues, "the bickering is becoming more and more dangerous because the current is sweeping us toward the falls."

Rice: Anti-U.S. Protests in Baghdad Mean Democracy Is Working

"And that people would go out and demonstrate and say what they feel is one sign that perhaps Iraq is one place in the Middle East where people are exercising their right to free speech," Secretary of State Condoleezza Rice said, during an Aug. 6 appearance on ABC's *This Week*. A rather disconcerted Rice tried to portray this as a success for Bush's "new Middle East" policy.

When grilled by Tim Russert of *Meet the Press* Aug. 6 about former Deputy Secretary of State Richard Armitage's complaint that the Administration has refused to talk with Syria, Rice went through a laundry-list of Syrian "violations" in Lebanon, commenting that, "It's an odd strategy to say that Syria is somehow going to be part of stabilizing Lebanon."

Ibero-American News Digest

U.S. Neo-Con Demand Alarms Tri-Border Governments

The demand, led by Florida's neo-con Rep. Ileana Ros-Lehtinen (R), that a special task force be created to fight Hezbollah in the area in which the Brazilian, Argentine, and Paraguayan borders converge, is viewed as a threat to national sovereignty, by those three governments. Claiming that Hezbollah "has maintained networks in the tri-border area ... primarily focussing on fundraising and recruitment," Ros-Lehtinen sponsored a "Sense of the Congress" resolution in June which demanded the U.S. get the Organization of American States (OAS) to set up a special task force to investigate and combat Hezbollah's activities in the region. Passed on June 13, the resolution is now before the Senate.

Neither the State nor Treasury Departments have ever produced any credible evidence of "terrorist financing" in the tri-border region. But the resolution, which also demands that OAS members designate Hezbollah and Hamas as terrorist organizations, claims otherwise. In motivating her resolution from the floor, Ros-Lehtinen also asserted that before his June death, Iraq's Abu Musab al-Zarqawi had ordered al-Qaeda members to travel to Brazil, and reach the U.S. via Mexico to launch terror attacks there.

These charges have outraged Brazil, and raised suspicions among other governments that there is a broader geopolitical agenda behind the Florida Congresswoman's rant, involving more lunatic elements in the Bush Administration or the U.S. Southern Command. *Folha de Sao Paulo's* Washington correspondent warned July 17 that Brazil is the specific target of this operation, because of its refusal to designate any government as "terrorist," and its insistence that any foreign intervention in the region would be a violation of sovereignty.

An "indignant" Brazilian Ambassador Roberto Abdenur officially communicated his government's "profound displeasure" over the issue to the State Department, and sent protest letters to all of the resolution's 27 co-sponsors. Brazil, Argentina, and Paraguay have been coordinating closely with the U.S. on any terrorist or other illicit activities going on in the tri-border region, through the "3+1" arrangement, Abdenur pointed out. If there is some new evidence in this regard, it should have been shared with those governments.

Resource Grab Behind Tri-Border Terror Pressure

We would be well to view the heating up of the tri-border region issue in the context of the global scenario, the Mercosur Press Agency (APM) warned Aug. 7. Remember what happened to Africa in the 1980s, when it was assaulted by foreign private corporations that looted its raw materials, APM wrote. Private security companies were deployed to "protect" the looters, and Africa became the "testing ground for a new regime of private corporate appropriation." APM asks: Is the plan to do the same to the tri-border region, and the Amazon, whose natural resources and minerals are coveted by foreign interests?

The press agency revealed that the European Union is pressuring Argentina to lift prohibitions on foreigners purchasing land in the border region, and there are reportedly clauses in WTO/Doha Round documents to this effect.

Argentine Nuclear Program Expands

The Federation of Argentine Energy Workers (FETERA) and the government's Energy Undersecretary have signed a 44-month contract that guarantees jobs for 420 people in the completion of the Atucha II nuclear plant, 100 of which are designated for recent graduates of Buenos Aires's Technical Schools who will be employed in the production of 600 tons of heavy water.

FETERA official Fernando Lisse reported Aug. 3 that the Kirchner government has just disbursed funds from the special trust set up specifically to finance Atucha II's completion. This demonstrates "the national government's clear determination to put an end to dependence on the oil companies." Also, Lisse explained, the "strategic agreement" made with FETERA occurs in the context of accords signed between Argentina's Energy Secretary and Canada's Atomic Energy Commission (AECL), which call for feasibility studies on the construction of a *fourth* nuclear plant, as a first step toward aggressive reactivation of Argentina's national nuclear energy plan.

Nuclear Energy Push Intensifies in Chile, Uruguay

With Argentina unable to supply its usual quantities of natural gas, due to growing internal demand, officials and experts in Chile and Uruguay are arguing that now is the time to consider nuclear energy as the only sane option. Congressman Marcos Espinosa of Chile's Radical Social Democratic Party (PRSD0) urged President Bachelet on July 24 to consider feasibility studies on the use of nuclear energy, given that she is talking about "broadening our nation's energy grid." Sergio Bitar of the PPD party, which, like the PRSD, is part of the ruling Concertacion coalition, made similar statements.

From Uruguay, Alvaro Bermudez, former director of Nuclear Energy and Technology at the Industry Ministry, told *El*

Espectador July 27 that, "if you look at the alternatives and regional reality, and see that our neighbors have oil, gas, and even nuclear energy, and we have none, the fact that we're not considering [the nuclear] option is somewhat unrealistic." This is a safe, clean, cheap source of energy, he said. "We have to start thinking 20 to 30 years ahead." National Party Senator Ruperto Long said exactly the same a week earlier, telling the same radio program that, "there is no time to waste" in starting to develop nuclear energy for Uruguay. He decried the fact that current Uruguayan law actually *prohibits* the development of nuclear energy. The law must be changed, he said, or Uruguay will soon face an unimaginable energy crisis.

Kirchner: Argentina Will Not Submit to a New Empire

Forget about using "the old theories of the Roman Empire" to impose sanctions on Argentina, President Nestor Kirchner declared Aug. 8, in response to the report that George "Nero" Bush intends to impose sanctions on a number of countries that are refusing to liberalize trade without first getting concessions from the U.S. Washington has threatened to exclude countries from the Generalized Preferences System, which allows them to export certain goods to the U.S. free of tariffs, an action that would affect Brazil, Argentina, and Venezuela.

If the U.S. wants to punish countries because they disagree with policies like those of the WTO or the Free Trade Area of the Americas (FTAA), Kirchner said, "we Argentines, and the world, should be very clear that this country no longer has carnal relations with anyone." ("Carnal relations" is the term former President Carlos Menem used to describe his government's relationship with the U.S. during his 1989-99 Presidency.)

"We are an independent country, and under no circumstances, do we base our decisions on actions we consider to be absolutely out of line, and not very serious," Kirchner emphasized. Any country that wants to do this, can do so, he said. "But with all due respect to other countries, and also to the United States, Argentina *knows what it has to do*. It already knows what carnal relations were like, and what it meant to be a dependent country. Argentina knows what hunger is; what the collapse of industry, of production, of our exports was, and what it meant to have subordinated ourselves to policies we had no reason to accept. So now, Argentina makes its own decisions. Let that be absolutely clear!"

Kirchner: We Have Done Away with IMF 'Shackles'

In a speech given in the Argentine city of Merlo on Aug. 10, President Nestor Kirchner answered the report issued that week by the International Monetary Fund which criticized the price-control agreements the Kirchner government has struck with Argentine producers, and demanded that Argentina cut back on spending, raise interest rates, and allow for "greater upward flexibility in the exchange rate." Kirchner declared that the country has made huge strides towards economic freedom and social improvement, and will never again be bound to its creditors. "Last December, he said, "when we paid off the IMF, I stood in a corner and silently cried with joy and emotion, because we were saying we had done away with our shackles. And it wasn't a government that paid, but the effort of the Argentine people.

"And now I ask myself, if in one year we have been able to recover the reserves we paid to the IMF, what was done previously with all the resources of the Argentine people, who owed more and more each day?... We renegotiated a debt that allowed us to save \$67 billion, something Argentina has never done before; whenever the debt was renegotiated before, we owed four times more. Now we have managed to save \$67 billion.... We are improving per-capita income, social inclusion, raising the minimum wage from 150 to 800 pesos in three years, when it was stagnant for 14 years; improving pensions in Argentina, when they were paralyzed for 14 years."

Kirchner said that he is forging a "national project" of Argentina's workers, businessmen, industrialists, and producers, so that the nation can continue to move forward, regardless of whether he is in the government or not, since "political power is transitory." He called upon the Argentine people to hold onto their memory of what things were like before, so that they

never again fall prey to those who lived off the backs of the Argentine people in the 1990s.

Likewise, Cabinet chief Alberto Fernandez told a forum of the Council of the Americas that Argentina "rejects the Fund's suggestions," and that "the government has ceased being a spectator, and is now the one to set the rules." He said Argentina today is stable, and "is going to grow a great deal this year. I am not going to say how much, but at any moment, the Chinese are going to say that they are growing at Argentine rates."

Western European News Digest

Chirac: No Lebanon Cease-Fire Would Be 'Most Immoral of Solutions'

French President Jacques Chirac met Aug. 9 in Toulon with Prime Minister Dominique de Villepin, Foreign Affairs Minister Philippe Douste-Blazy, and Defense Minister Michele Alliot-Marie, in a special session on Lebanon.

"Picking up from the agreement between France and the United States on a resolution project, we asked that that project integrate a certain number of Lebanese demands," stated Chirac during the closing press conference. The Lebanese are making an Israeli withdrawal of conquered territories and a return of Shabaa Farms, a precondition for their accepting that plan. But, added Chirac, "it seems that today there are American reservations about that project.... I do not want to imagine that there is no solution," because, "that would mean that one accepts the present situation and renounces an immediate cease-fire, which would be the most immoral of solutions.... I cannot imagine that coming from the Americans, or from others."

Chirac continued: "I don't want to even raise the idea of a timetable, because that would mean that one considers that one can postpone the cessation of hostilities. I don't want to imagine that one can base a policy on the postponement of the cessation of hostilities. Because for France, the objective is to establish a cessation of hostilities, so that the procession of dead, of suffering, of destruction" will stop. "Nothing will be solved by the use of force. Any solution must go through a political agreement."

Chirac threatened with veiled words that France would present a new resolution to this effect, alone, if need be. Should the U.S. disagree, "we will have a debate in the [UN] Security Council and each will affirm clearly its position, including, naturally, France, by its own resolution." Chirac welcomed the "unanimous decision" by the Lebanese government, including the two Hezbollah ministers, to deploy 15,000 troops to southern Lebanon. "We have taken into account that major development in our proposals" to the Security Council, stated Chirac, who also called on the Lebanese to contribute to the plan: "to have a part of Lebanese territory under the authority of militias is incompatible with a stable Lebanon, developing democratically," stated Chirac.

Paris is reaffirming it wants a two-phase process: first, a "complete and immediate cessation of hostilities"; then, "establish the principles and elements of a permanent cease-fire and of a long-term political solution."

Germany Intensifies Diplomatic Effort in Mideast

German Foreign Minister Frank Walter Steinmeier left Berlin on Aug. 8 for talks with leaders in Lebanon, Israel, and Palestine. In Beirut, he was scheduled to meet Lebanese Prime Minister Fuad Siniora, Foreign Minister Mohamad Saluch, as well as Parliament Chief Speaker Nabih Berri; in Israel, meetings with Prime Minister Ehud Olmert, Foreign Minister Tsipi Livni, and Defense Minister Amir Peretz were on the agenda; in Ramallah, Steinmeier was to meet Palestinian President Mahmoud Abbas.

German Chancellor Angela Merkel spoke by telephone Aug. 7 with Prime Minister Siniora, who received a firm commitment from Germany for substantial assistance in the reconstruction of Lebanon's economy and infrastructure.

Lebanon Issue Causes Deep Divide Among German Jews

The decision of the central council of the German Jews, to place newspaper ads in support of Israel's military action, has been met with fierce protest and opposition from among the membership. Those German Jews who are in support of the Israeli peace movement, have criticized the ad, and some even back the call for UN sanctions against Israel, to force its troops out of Lebanon and Gaza.

The most spectacular act of protest, however, was an interview granted Aug. 9 to the German media, by Rolf Verleger, chairman of the Jewish communities in the northern state of Schleswig-Holstein. He charged Israel with breaching international law, and accused the central council of a hypocritical silence, whereas everyone in the council "knows, like myself, what the situation looks like, in reality.... Therefore, why not talk about it openly?"

Verleger's remarks provoked angry reactions among members of the central council, which charged him with fueling anti-Semitism with his Israel-critical statements.

Vatican Appeals for Peace

Pope Benedict XVI, in his Aug. 9 audience at St. Peter's Square in Rome, issued a renewed appeal for peace in the Middle East. He underlined in his statement that in looking at the "tragic conflict in the Mideast, I remember the words of Pope Paul VI in front of the UN in October 1965: 'Never again the ones against the others, never again!.... If you want to be brothers, then let the weapons fall!' Given the ongoing efforts, to get a cease-fire and find a just and sustainable solution for the conflict, I repeat, in the words of my predecessor John Paul II, that one can change the course of events, if reason, good will, and confidence in the other prevail; if what is agreed upon is turned into practice, and if cooperation among the responsible partners win the upper hand."

Rohatyn's Dirty Role in the Fiat Bankruptcy

Synarchist cat's-paw Felix Rohatyn played a key role in bankrupting the leading Italian automaker Fiat, and forcing GM into a deadly deal. In 1998, a new globalist management was brought in at Fiat, composed of Paolo Fresco, Jack Welch (both from General Electric), and Lazard's Felix Rohatyn. By 2002, the trio had succeeded in driving Fiat close to bankruptcy, with a debt of Eu32.2 billion and no industrial plan, no perspective to turn the situation around. This result was achieved through a policy of "diversification" into sectors other than auto, and pursuing the strategy of the "world-car" company.

As part of this policy, a deal was struck in 2000 for a fusion between Fiat and GM. GM underwrote a "put" option to take over Fiat by the year 2005; by that year, however, Fiat stocks had fallen so much, that the deal was a total loss. Finally, GM bought itself out of the deal, by paying 1.55 billion euros to Fiat. In 2002, when Fiat faced bankruptcy, a consortium of Italian banks decided to extend a loan with the option of converting it into stock. The Fresco-Welch-Rohatyn trio was forced out, and a new management came in.

Fiat has historically been advised by Lazard ally Mediobanca, led by André Meyer's friend Enrico Cuccia. When Wasserstein took over Lazard, Cuccia broke with Lazard, as he considered the new policy too criminal even for him. Showing the historical allegiance of the Agnelli family, Fiat chose to stay with Lazard and split with Cuccia. Under advice from Lazard, both the 1998 and the 2002-2003 management and policy adjustments were implemented.

UK Reopens Halliburton/KBR Bribery Probe

The London bribery investigation centering on Halliburton's KBR subsidiary, which opened two years ago, was reactivated in March of this year, and on July 20, the UK's Serious Fraud Office and London police carried out five searches, at three London residences and an office, and also at a house in Somerset.

This could be bad news for Dick Cheney: The investigation centers on suspected bribes paid by a consortium of energy companies to Nigerian officials through an offshore company controlled by London lawyer Jeffrey Tessler. KBR was one of four companies in the group, and the illegal payments started in 1998, when Cheney was the CEO of Halliburton. Halliburton more recently fired two officials involved in the payments, one of whom was former KBR chief executive Jack Stanley—who has been described as a close friend of Cheney.

According the *Financial Times* of Aug. 7, investigations are still also underway in the U.S., France, and Nigeria. *EIR* reported extensively on these investigations and the threat to Cheney during 2004 when the probes were quite active.

Pay-To-Go Toll Roads, Black Boxes, Spy Cameras

They are all parts of a plan that British Transport Secretary Douglas Alexander wants to impose on the kingdom's main roads and city arteries.

The plan would require each vehicle to have a "black box" that could be monitored by satellite. It would record the vehicle's whereabouts and mileage. The owner would be periodically sent a bill based on mileage, and time and place traveled, as well as fuel efficiency of the vehicle.

Alexander outlined the scheme in a July 20 letter to Commons leader Jack Straw. Word of the letter was leaked to the media, and reported in Sunday, Aug. 6 publications. According to Alexander, legislation imposing the scheme may be introduced as early as next year.

"I would propose reforming the current arrangements for approving local road-pricing schemes, providing better targeted powers to ensure that schemes are consistent with a national framework and are inter-operable, and ensuring an appropriate framework governing the setting of prices and the use of resources. Current legislation offers very limited powers for pricing on the trunk road network outside of the area of a local scheme. We are considering pilots on the trunk road network as an important stage towards national road-pricing," wrote Alexander.

The Tory Shadow Transport Minister Owen Paterson, had a complaint: "But why are they only thinking about this now?"

Some months ago, the British government announced plans to put spy cameras on all major roads, billed as an anti-crime, anti-terrorism measure. Alexander's addendum goes more to the point of providing additional income streams by forcing subjects of the Crown to pay for use of once-public facilities.

Russia and the CIS News Digest

Russia Prepares Tough Response to U.S. Sanctions

On Aug. 4, the U.S. State Department charged that Russian contracts with Iran to repair and upgrade 30 Su-24 bombers,

sold in the 1990s, breach the U.S. "Iran Nonproliferation Act," regarding WMD-related sales to Iran. It issued an order, forbidding U.S. firms from doing business with Rosoboronexport (Russian Defense Exports, the state-owned weapons trade monopoly), and Sukhoy Aviation. Few U.S. companies do weapons business with Russia, but Sergei Chemezov, director of Rosoboronexport, told Itar-Tass that the sanctions "will tell on the effectiveness of the operations of the U.S. contingents in Iraq and Afghanistan." It is reported that automatic rifle sales to the Iraqi police, through American companies, could be hit. Also, Rosoboronexport could lose money from having to shift some of its dollar-denominated financial transactions out of New York banks.

Defense Minister Sergei Ivanov responded, "I can state definitely that these sanctions have no relation whatsoever to the issue of nonproliferation," adding that Russian military-technical sales are "in strict compliance with rules of international law," and will not be stopped. The Russian Foreign Ministry called the accusations "yet another unlawful attempt to force foreign companies to act according to American domestic arrangements,... an obvious political and legal anachronism, especially when taken on fabricated pretexts."

While some press say the Iran angle was simply an excuse to punish Russia for its recent major arms deals with Venezuela, it is but one piece of the escalating attacks on Russia, starting with the Cheney speech in Vilnius in May, and the refusal to approve Russia for WTO membership, on the eve of the G-8 summit in St. Petersburg.

Russia is in the process of deciding on several major projects for which U.S. firms are bidding, and the new attacks from Washington may sway the decisions. Boeing was to landing a \$3 billion sale of 787s to Russia, but Moscow could opt instead for the France's Airbus 350. Other possible retaliation could include the exclusion of Chevron and ConocoPhillips from participation in the huge Shtokman gas field project in the Barents Sea. Also, Boeing gets 40% of its titanium from the Russian state firm Avisma, and it may not be easily replaced—but Avisma is about to be sold to Rosoboronexport, one of the firms hit by the sanctions.

Another U.S. Affront to Russia—on Trade Preferences

"It seems the U.S. State Department wants to trigger a trade war with Russia," wrote the Russian RBC business wire service Aug. 9, in a commentary on the latest U.S. move vis-à-vis Moscow on trade matters. On Aug. 7, U.S. Trade Representative Susan Schwab announced that the annual review of the Generalized System of Preferences, allowing duty-free importation of a range of products from so-called "emerging" countries, could lead to the removal from GSP of some nations that don't meet certain standards. On Aug. 8, Schwab's office called for public comment, on limiting GSP benefits for countries whose shipments to the U.S.A. were in excess of \$100 million in 2005, and which either account for greater than 1/4 of 1% of world exports, or can be classified as "upper-middle-income." Of the 133 GSP countries, this would affect Russia and 12 others (including India, Argentina, Brazil, Venezuela, Turkey, and South Africa). RIA Novosti analysts said that Russia stands to lose \$1 billion a year from the shift. RBC linked the action to the previous week's imposition of U.S. sanctions against Russian defense industry companies, for certain sales to Iran, and to the non-approval of Russia's WTO application.

Washington Seeking To Undermine Russian Ruble-Denominated Trade Plans?

The Bush Administration is waging an "increasingly aggressive" campaign of "threats, inducements, and even sanctions" against Russia because of its plans to make energy and minerals deals with South Africa, Namibia, and Angola, and its recent arms/energy deal with Venezuela, wrote John Helmer from Moscow in a *Minweb* story Aug. 7. Zimbabwe is also involved. In particular, Russia wants South Africa to sign on to the ruble-denominated energy markets ("petro-ruble") plan announced by President Vladimir Putin in his State of the Federation speech May 10. Helmer refers to "the Putin-Mbeki model" in a July 15 *Minweb* article.

Putin is scheduled to be in South Africa Sept. 4-6 for a three-day working visit, and will then go to Angola. Russia is interested in such strategic metals as vanadium and manganese, and also in diamonds. South Africa wants Russian natural gas. Helmer writes that the finalizing of the Russia-Algeria deal for cooperation in natural gas exploration, technology, and marketing was postponed twice because of U.S. pressure, but was finalized Aug. 4.

Lethal Incidents Occur in Caucasus, Central Asia

A prosecutor was killed, and the local Internal Affairs Minister attacked Aug. 7 in Dagestan, in the Russian North Caucasus.

In Osh, Kyrgyzstan on Aug. 6, Kyrgyzstan and Uzbekistan security forces hit alleged members of the Islamic Movement of Uzbekistan, killing three, including a radical Islamist imam, whose funeral in Kyrgyzstan drew thousands the next day.

Southwest Asia News Digest

Arabic-Language Website Posts LaRouche Warning of World War III

The Arabic-language LaRouche Movement has translated and posted a pamphlet on its website, www.nysol.se/arabic, which includes Lyndon LaRouche's "Who Is Behind World War III, a mass leaflet by German BüSo leader, Helga Zepp-LaRouche, and an article by *EIR* authors on Synarchism.

Already, the "Know Your Enemy" statement by LaRouche, "Israel at the Gates of Moscow," by Jeffrey Steinberg, and other major coverage of Southwest Asia is posted on the website.

Growing Resistance in U.S. Congress to Lebanon War

In its Aug. 11 article on neo-con pressure on Israel to expand the war, *Forward* reports that some Congressional Republicans are taking an opposite view. They quote Sen. Chuck Hagel's (R-Neb) statement that military action alone will not destroy Hezbollah or Hamas, and note that, "This week, 10 of the 12 Senators who did not sign a bipartisan letter calling on the European Union to add Hezbollah to its list of terrorist organizations were Republicans." They included, in addition to Hagel, Richard Lugar (R-Ind) and John Warner (R-Va). An item from the Middle East Media Center (MEMC) says that Rep. John Murtha (D-Pa) and Senators Chris Van Hollen (D-Md), Lincoln Chafee (R-RI), Debbie Stabenow (D-Mich), and Patrick Leahy (D-Vt) have called for a ceasefire, and notes that Hagel has called on President Bush to call for an immediate ceasefire.

Judge Denies Motions To Dismiss in AIPAC Spy Case

The trial judge denied the motions to dismiss their espionage case made by the "AIPAC 2," Steven Rosen and Keith Weissman. The court rejected Aug. 10 their constitutional challenges to the espionage conspiracy statute, which claimed that it is unconstitutionally vague, and abridges their own and others' First Amendment rights. Also rejected was their assertion that the statute only concerns documents or maps, not oral conversations. Rosen's separate motion, that the charge of aiding and abetting illegal transmission of national defense information was legally insufficient, was also rejected.

Israel Faces Strategic Defeat in Lebanon

"Israel is facing a strategic defeat in Lebanon and very few people are picking up on the significance of this," a senior U.S.

military intelligence specialist told *EIR* on Monday, Aug. 7. The source said that if Israel fails to strategically defeat Hezbollah in Lebanon, this will constitute the greatest military defeat Israel has ever suffered, with major political consequences for some time to come. The source had indicated three weeks ago that the logic of the Israeli military operations was that they would launch a full-scale ground invasion. Now, he warned, the moment for that to happen has passed. Hezbollah has demonstrated a sophisticated capability for using anti-tank weapons. Israel, so far, is conducting in-and-out raids, but is failing to drive Hezbollah out of any villages in the south of Lebanon. Furthermore, if Israel does launch a full-scale ground invasion of Lebanon, it will likely get bogged down and face a similar quagmire to that in which the U.S. is stuck in Iraq.

On the other hand, the source agreed that the only alternative to chaos and disaster is for the U.S. to negotiate in good faith with Iran and Syria. President Bush and Secretary of State Condoleezza Rice, especially after their pathetic press conference performance in Crawford Aug. 7, are incapable of such diplomacy. Even more ominous, the source warned that the White House is not listening to the Joint Chiefs of Staff or any other professional military advisors. The JCS has concluded that there is no military option against Iran, but the source warned that the White House could simply order the Chiefs to prepare operational plans and not seek any military counsel before ordering action. "The Wayne Downing Plan" for pushing regime change in Iran, via Special Forces operations, is still kicking around, he warned.

Israelis Admit: Hezbollah a Formidable Foe

Israeli soldiers and commanders admit that Hezbollah is a formidable foe, because it is highly-skilled, well-equipped, and moves undetected among the population with efficient communication and logistics. The Aug. 7 *New York Times* quoted one Israeli soldier who, after returning from Lebanon, reported that "all of us were kind of surprised.... [Hezbollah] is nothing like Hamas or the Palestinians." Hezbollah has carefully profiled the Israeli military, studied its flaws, and skillfully exploited those weaknesses to its own advantage. One former UNIFIL official in Lebanon pointed to the success of Hezbollah's strategy of drawing Israeli ground troops further into Lebanon, onto "well-prepared battlefields," forcing them to extend their supply lines. A similar profile of Hezbollah's capability is published in the Aug. 7 edition of *Newsweek* magazine.

Nasrallah Backs Seven-Point Plan; Deployment of Army

In a televised address Aug. 9, Hezbollah leader Sheikh Hassan Nasrallah stressed the importance of Lebanese national unity, and he voiced his support for the Siniora government's seven-point plan for resolving the current crisis.

Nasrallah also spoke at length about the government's intention to send 15,000 troops into the South. This will help Lebanon, he said, and will help the friends of Lebanon to apply pressure toward changing the draft resolution which has been discussed in the UN Security Council.

Nasrallah acknowledged that in the past, Hezbollah had objected to having the Lebanese Army at the borders, because this would have been to place it "in the mouth of the dragon," because of Israeli aggression; lacking tanks or military vehicles or an air force and air cover, it could have been destroyed within days. But in the present situation, with the government having decided that the purpose is to guard Lebanon, not to protect the enemy, this is an honorable solution, which Hezbollah accepts.

Having the Army deployed to preserve Lebanon's sovereignty and independence is the best way to proceed, rather than having an international force, Nasrallah declared.

Israel Does Not Know How To Fight This War

"There has never been a war like this.... We don't know how to fight it, at least not yet," wrote *Ha'aretz* correspondent Bradley Burston Aug. 7. He said that the world is watching because this "is the next great battle of World War III. And, as in Iraq, the war is not going well for the West...."

He says that the Olmert government is inexperienced, and has made "outlandish, grandiose, and boastful claims" about the war against Hezbollah, but has failed.

"After years of MI warnings of Hezbollah's missile arsenal and vaguely comforting news items about the mystery-shrouded Nautilus Katyusha-killer, we now know that we knew next to nothing," Burston admitted, and worse, the Israeli behavior has won support for Hezbollah. Even the *New York Times* last week compared Hezbollah to the civil rights movement of the 1960s.

"We've gone after infrastructure, and in so doing, caused immeasurable suffering to as many as a million Lebanese. A thousand of them dead ... with thousands of thousands of soldiers already in Lebanon, seven brigades and counting, after 4,600 IAF bombing runs, 150 of them Sunday night alone, 80 to 90 percent of Hezbollah's 2,500 fighters are alive and shooting. They are still capable of firing 200 rockets a day into Israel....

"We are losing the war, in part, because our actions have only gained sympathy for Hezbollah.

"Polls are now showing that nearly 90 percent of Lebanese, including many who had serious doubts about Hezbollah in the past, now support the organization's war with Israel...."

Israel had better come up with a "smarter strategy" that includes diplomacy, and learn—as Hezbollah understands—that the most important issue is to survive. If the Israelis continue the strategy of "More of the same ... erasing Hezbollah's villages," that survival might not happen, Burston concluded.

Asia News Digest

UN Report Shows Steep Rise in Afghan Drug Addiction

According to a recent United Nations survey, there are now nearly a million drug abusers in Afghanistan. Almost 200,000 of them are hard-core opium and heroin addicts, the report says.

Dr. Tariq Suliman, who runs the Nejat Center (a drug-rehab center) says addiction rates throughout the country are higher now than ever, and what is most distressing is that the number of female drug addicts is soaring. More than 100,000 female addicts were identified in the UN report, but Dr. Suliman claims that the real number could be several times higher than what the UN report says. He says the Afghanistan's grinding poverty and massive illegal drug production are creating a new generation of addicts—men and women.

It is also evident from the report that the Karzai government, and the U.S. occupiers of Afghanistan, have finally shed the pretense of curbing drug production and, instead, are now concentrating on building new clinics to take care of the addicts.

Boucher Advises India To Look Beyond Iran for Oil

There is never a dearth of American advisors who are ready to advise the developing countries on what to do. This time around, a rather insignificant U.S. diplomat, Assistant Secretary of State for South Asia, Richard Boucher, came to New

Delhi to tell the Manmohan Singh government that instead of Iran, India must look towards other Central Asian countries to meet its growing demand for oil and natural gas.

Speaking at a seminar organized by India's leading chamber of commerce FICCI, Boucher said on Aug. 7: "As far as I think, Iran is not a stable and reliable country, and India should look towards other Central Asian countries for oil and gas.... Well, you will have to think about a country from where you could import gas and petrol for another 50 years, and in that context Kazakhstan fits the bill." Boucher also said that by restoring peace and stability and opening up Afghanistan as a transit route for trade, the U.S. desires a greater flow of energy and manufactured products between Central Asia and South Asia.

India, Pakistan, and Iran recently met at a tripartite meeting in New Delhi and decided to appoint a consultant to advise on pricing of gas for the proposed multi-billion-dollar gas pipeline that would bring gas from Iran to India and Pakistan.

Baloch Rebels Intensify Attacks on Gas Pipelines

The rebel Baloch tribes have blown up a major gas pipeline in southwestern Pakistan. The rebels, based in Balochistan, bordering Afghanistan and Iran, are seeking greater autonomy from Islamabad.

Baloch tribal militants had long been waging a low-level insurgency in Balochistan, but of late, they have stepped up attacks on government installations, including gas pipelines, rail links, and government buildings, the Pakistani Army claims. On the ground, the Baloch tribal militants justify their hostile acts by pointing out that the local resources are being used to benefit other regions of Pakistan, while Balochistan continues to remain the poorest of all provinces.

Beyond that, however, is the Baloch resentment at the way Balochistan was used by both the Pakistani military and ISI to train Taliban militia of Afghanistan. Islamabad has also settled a large number of Afghan Pushtuns in Balochistan, endangering the ethnic demographic balance of that province. In addition, the United States has set upon two major air bases—Dalbandian and Pasni—in Balochistan, to battle the "war on terror" waged in Afghanistan. All these activities, and more, are considered by the Baloch as an attempt to erode their Baloch identity.

U.S. To Hold Joint Military Exercise with Mongolia

President Bush's one-day trip Nov. 21 to Mongolia, will be consummated beginning Aug. 11, when the U.S. and Mongolia will begin a two week-long military exercise, *India Defence* reported Aug. 9. Participating in the exercise will be about 220 American soldiers, 630 from Mongolia, and 240 from India, Thailand, Bangladesh, Fiji, and Tonga.

Washington claims that the United States has strengthened its ties with Mongolia, a landlocked country of about 2.6 million, between China and Russia. Mongolia had joined 39 other countries that supported the U.S.-led coalition that invaded Iraq in April 2003.

The objective of the two-week drill is to help "improve international cooperation in resolving armed conflicts" and "restoring civilian infrastructure," the U.S. State Department said in a press release on Aug. 8.

Bangladesh Opposes India Oil Hunt in Bay of Bengal

The government of Bangladeshi Prime Minister Begum Khaleda Zia has lodged a strong protest against India's move inviting tenders to explore oil and gas in the "undemarcated areas" of Bay of Bengal, *Alexander's Oil & Gas* reported Aug. 8. "Dhaka feels that these issues [regarding demarcation of areas] should be resolved through discussion," Begum Zia said.

Bangladesh has also opposed India's proposal to link rivers to meet water demands in the Subcontinent.

Bangladesh's opposition to India's oil hunt is a manifestation of growing differences between the two countries. Since the Iraq war began, the Begum Zia government has increasingly moved towards securing support of the fast-growing militant Islamic fundamentalists within the country led by the Jamaat-e-Islami and Harkat ul Jihadi Islami (HUJI). The latter is widely acknowledged to be a terrorist group propped up by the Pakistani ISI. As a result of these developments, tensions between Dhaka and New Delhi have multiplied.

In addition, Dhaka has given Beijing access to the port of Chittagong, situated in the Bay of Bengal. China is also training Bangladeshi military officials and lobbying in Dhaka to set up a naval base east of Chittagong.

Malaysia To Use Chinese Maglev Technology

Malaysia's Johor state will use Chinese technology to build maglev transit for Johor and, later, high-speed rail connections between Kuala Lumpur and Singapore. The private firm Jalur Mudra signed a deal with China's Beijing Enterprise Holdings to develop and promote maglev in the region. The *New Straits Times* reported Aug. 8 that China has developed maglev not only for long-distance high-speed transit, but also for low-speed urban monorails. The monorail maglev is 15%-30% cheaper than other types of monorail. The Johor government will take a 30% stake in the 50 km monorail project, targeted for completion in five years. A high-speed maglev route from Kuala Lumpur to Singapore is under discussion.

Africa News Digest

See InDepth this week for a report on an *EIR* Team in Nigeria:

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by Lawrence K. Freeman

"Nigeria Needs and Wants All Types of Industry and Investment,"

by Summer Shields, LaRouche Youth Movement

Interview: Gov. Peter Otunuya Odili, M.D.; "Large Infrastructure Development Is the Key to Nigeria's Future"

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