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This Week You Need To Know

Bush's Tragic Southwest Asian 'Peloponnesian War'

by Jeffrey Steinberg

As of this writing on Jan. 6, President George W. Bush, goaded on by Vice President Dick Cheney, is plunging headlong into an even deeper strategic fiasco in Southwest Asia. By all accounts, Bush will soon announce his latest folly: a "surge" of anywhere between 10,000 and 50,000 additional U.S. combat troops into Iraq. At the same time, the President is preparing the way for yet another Cheney-induced strategic blunder: a military strike against purported "secret nuclear weapons sites" inside Iran. While the latter scheme has not been publicly advertised by Administration officials, U.S. military and intelligence specialists tracking events in the Persian Gulf remain convinced that a "Global Strike" plan for bomber and missile strikes against select targets inside the Islamic Republic is on the table at the White House and would be launched without prior consultation with Congress or the United Nations Security Council.

The latest twist on the "bomb Iran" scheme, as reported by well-placed Washington sources, is that the rationale for preventive war against Iran is that the United States and/or Israel must strike Iran *before* the first bomb-grade nuclear material has been enriched and stockpiled in some unknowable locations. Given that even Israeli Mossad analysts have concluded that Iran is incapable of obtaining a nuclear bomb before 2009—under the most wildly optimistic of circumstances—and American analysts believe that the earliest date is well past 2010, the Bush White House has been forced to resort to the most outlandish form of sophistry, to make a case for preventive war sometime between Spring of this year and when they leave office in January 2009.

As Lyndon LaRouche noted in discussions with colleagues on Jan. 5, it was this same kind of sophistry practiced by the Greek ruler Pericles that drew Athens into the self-destruction known as the Peloponnesian Wars. Bush, LaRouche warned, is falling into the identical trap that destroyed the once-great republic of Athens, and the consequences for the United States—if Bush and Cheney are allowed to get away with this latest insanity—may spell the doom of the United States.

These are the times we are living through....

...complete article, PDF

Latest From LaRouche

'I Know the Road to Victory'

by Lyndon H. LaRouche, Jr.

The following are substantial excerpts from LaRouche's opening speech to a business meeting of the Civil Rights Movement Solidarity (BüSo) near Wiesbaden, Germany on Dec. 16, 2006.

What we are talking about today, is largely the future. Now, we don't have any guarantees as to what the future will be, but we have an advantage: I have a map. And the question as to what future you get to, depends upon which route you take, according to the map. And what I shall present to you today is the essentials of the map.

Now, first of all, the reality in the U.S. today, the political situation, the general situation, is far contrary to anything that I've heard from Germany, or from other places in Europe. I've just heard from Germany, mostly. And everyone who thinks they know about what's going to happen in the future and thinks they know what's going on in the United States, doesn't know what they're talking about.

We have made, ourselves, this movement has made a change in the course of history. We have not secured a road to victory, but we've discovered where it lies. And we discovered the means of transportation to get there.

It started directly about 1999, as some of you recall: that because I was not able to get to the United States to participate in the [Presidential election] campaign, I did two broadcasts from here in Germany, and one was on the subject of "Storm Over Asia," which I think some of you may recall; some of you saw, some of you participated in making. And if you look back at "Storm Over Asia," you see exactly where we've gone. This was the point, at which I was getting out from under restraint; that is, even though I'd been out of prison actually since January of 1994, I had not been allowed to direct this organization, or any part of it. Because I was not allowed to talk to key people, and therefore, I could not direct it.

So, suddenly, at the end of 1999, I began to be allowed to find out what had been going on in the organization in a period of ten years. A lot of changes had been made, many for the worse, mostly for the worse. Bad policies. So, we moved to do two things: First of all, to have a war-plan for dealing with the future, and this war-plan developed essentially over 1999, beginning with "Storm Over Asia," as the first formulation; we did another meeting with people by video hook-up from here, again during that period. But during that period into the end of 2000, when I was free to manage things and was finding out what had gone wrong, and who had done what to whom, while I was ten years out of control, we made new policies. We set a new direction....

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

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Feature:

[WHAT THE CONGRESS NEEDS TO LEARN](#)

[The Lost Art of The Capital Budget](#)

by Lyndon H. LaRouche, Jr.

Dedicated, poetically, to my wife, Helga, for the ominously lovely occasion of our 29th Wedding Anniversary.

December 22, 2006

Since that notorious uproar of 1968, which erupted in Europe as in the Americas, the mayfly passions of the upper twenty percentile of today's reigning white collar ('Baby Boomer') generation, are frequently expressed as a loss of the desire for the practice of long-term marriages, a loss of caring for the prospects for younger generations, and a loss of any interest in investment in the future of the physical economy of other nations, or even their own. Hence, since that generation dominates our Senate and also much of our House of Representatives, our Congress had, in the main, lately misplaced the pivotal conception on which the future existence of our nation now depends: the concept of the capital budget. This must now be changed.

Breaking Stories:

Bush's Tragic Southwest Asian 'Peloponnesian War'

by Jeffrey Steinberg

As of this writing on Jan. 6, President George W. Bush, goaded on by Vice President Dick Cheney, is plunging headlong into an even deeper strategic fiasco in Southwest Asia. By all accounts, Bush will soon announce his latest folly: a 'surge' of anywhere between 10,000 and 50,000 additional U.S. combat troops into Iraq. At the same time, the President is preparing the way for yet another Cheney-induced strategic blunder: a military strike against purported 'secret nuclear weapons sites' inside Iran. While the latter scheme has not been publicly advertised by Administration officials, U.S. military and intelligence specialists tracking events in the Persian Gulf remain convinced that a 'Global Strike' plan for bomber and missile strikes against select targets inside the Islamic Republic is on the table at the White House and would be launched without prior consultation with Congress or the United Nations Security Council.

National News

International Intelligence

Business Briefs

Strategic Report:

LAROCHE TELLS GERMAN ASSOCIATES

Prepare for Battles Ahead: 'I Know the Road to Victory'

The LaRouche movement in Germany, and its political arm, the Civil Rights Solidarity Movement (BüSo), met near Frankfurt on Dec. 16-17, to deliberate on how to bring to Europe the 'New Politics' with which the LaRouche Youth Movement in the United States is shaping developments across the Atlantic. As we reported last week, the BüSo re-elected Helga ZeppLaRouche as its national chairwoman. Daniel Buchmann of the LaRouche Youth Movement (LYM), along with Elke Fimmen and Klaus Fimmen, are the new vice chairmen. The new party executive committee includes six members of the LYM: Daniel Buchmann, Petra Carlsson, Kai-Uwe Dücke, Katarzyna Kruczkowski, Alexander Pusch, and Stephan Tolksdorf.

Helga Zepp-LaRouche

Bring the 'New Politics' to Germany; Create a Sovereign, Republican Nation

Mrs. LaRouche, chairwoman of the Civil Rights Solidarity Movement (BüSo), gave this speech at the party's conference in Frankfurt/Main on Dec. 17, 2006. It has been translated from German.

Lyndon H. LaRouche, Jr.

'We Need Young People Who Are Hungry for a Future of Civilization'

This is a substantial excerpt from LaRouche's closing remarks to the public conference of the Civil Rights Movement Solidarity (BüSo), held in Frankfurt/Main, Germany, on Dec. 17.

Editorial:

The British Imperial Game

A report from a City of London insider on Jan. 5, about the imminent danger of the collapse of the British pound, sparked leading economist Lyndon LaRouche to issue a warning: Watch out for the British trying to wreck the potential of the incoming Democratic Congress, by using a pound collapse to force a general collapse of the dollar.

U.S. Economic/Financial News

Third Major Subprime Mortgage Lender Goes Belly-Up

Another large subprime mortgage lender stopped originating loans, third to shut down in the last month. Mortgage Lenders Network USA, ranking 15th nationwide in the U.S. with \$3.31 billion of subprime loans in the third quarter of 2006, announced it will "temporarily discontinue" wholesale lending operations, saying market conditions had "deteriorated dramatically" during November and December 2006, according to Jan. 2 press reports. MLN also said it is in "strategic negotiations" with several Wall Street firms about its loan operations. And it has laid off about 80% of its 1,800 employees.

This follows the bankruptcy filing of Ownit Mortgage Solutions at the end of December, and after Sebring Capital Partners ceased operations on Dec. 1.

U.S. Homebuilder Scales Back Building Plans

Lennar Corp, the third-largest U.S. builder, as measured by unit sales, announced Jan. 3 that it would take up to \$500 million in land-related write-downs, leading to its first quarterly loss in a decade. Lennar CEO Stuart Miller warned, "[W]e have not yet seen tangible evidence of a market recovery."

Heavily exposed in the once red-hot housing markets in the West and Southeast U.S., Lennar said it had slashed its land holdings in Southern California. The firm, along with LNR Property Corp, agreed to sell a 62% stake in their LandSource joint venture that owns one of the largest residential developments in Los Angeles County—a proposed 20,000-home, 15,000-acre project in the Santa Clarita Valley.

Big International Banks Driving Takeover Bubble

More revelations continue to make clear that it is the lending banks—the biggest international investment and commercial banking groups—which are driving the bubble in takeovers, by private equity funds and hedge funds which are the banks' creatures, according to TheStreet.com and the *New York Times* Jan. 2.

For example, "stapled financing packages" in leveraged takeovers—a 100% pure conflict-of-interest violation by the banks involved—accounted for \$82.5 billion in 50 leveraged takeover deals in 2006. What is it? Banks like UBS, Goldman, JP Morgan Chase, and others first advise a potential "target" firm to seek to be taken over. At the same time, the banks arrange large non-investment grade (high-interest) loans, from themselves and other banks, for the takeover—hence, a "stapled" package of takeover financing, ready to go. Then they shop the loan package around to private equity funds to get one of them to take the financing and take over the target! The banks collect large fees from all sides, and are in multiple conflicts of interest. Sometimes targets' boards object; they are usually bought off.

In 2006, JP Morgan arranged \$2.67 billion for SSA Global Technologies (target) and got Infor Global Systems to take SSA over. In 2005, Credit Suisse advised Toys 'R Us, arranged the loans, and brought in KKR to take them over for \$7.5 billion. Delaware Chancery Court Judge Leo Strine said he found an "appearance of impropriety" in the fact that Credit Suisse collected \$10 million in fees for arranging the financing for the deal, even as it was advising Toys 'R Us in the buyout. In 2006, Goldman Sachs made an \$18 billion package for takeover of Clear Channel radio, while advising Clear Channel to find a buyout. Initially, Clear Channel's board rejected the idea citing Goldman's clear conflict of interest; but then changed its mind.

In another example already reported, Australia-based Macquarie Bank's practice is to "advise itself" as both takeover firm and bank lender/adviser, and loot the fees—\$800 million worth in 2006. Macquarie specializes in taking over both public- and privately owned infrastructure (PPPs).

Now the Massachusetts Secretary of State William Galvin is investigating UBS AG's practice of hot-housing new hedge funds in "hedge fund hotels"—space leased by UBS to new hedge fund managers, complete with staffs, communication-systems specialists, etc. The hedge funds then turn around and pay exorbitant "trading fees" to the same banks, to pay for the space and staff; however, the hedge funds' investors are not told that these are extra fees, and are being charged for them.

Malthusian Warns Ethanol Hoax Will Lead To Starvation

Population-control guru Lester Brown's Earth Policy Institute held a conference call Jan. 4 to release a paper by Brown saying that the people promoting the ethanol bubble are using facts and figures that are vastly understated respecting corn volume. Brown states that the U.S. Department of Agriculture projects that distilleries will only require 60 million tons of corn from the 2008 harvest. But his Institute says that it will take 139 million tons of corn, which is half of the projected 2008 corn harvest. Brown says that this will drive food prices to record levels, pricing it out of reach for millions of people. He is calling for a moratorium on the licensing of new distilleries. If there is not a moratorium, the increased use of the harvest corn will affect world food-aid programs and could lead to urban food riots in developing countries. Brown is asking the incoming Democratic Congress to adopt the moratorium.

In the overall corn ethanol boom, Monsanto reported a 535% jump in first-quarter profits on demand for corn seeds and Roundup herbicide. Monsanto is saying that the 2007 corn plantings may increase by 9.45 million acres to 85.9 million acres.

Auto Industry Productive Employment May Be Shrinking

The announcement of breakup and liquidation of the large auto supplier firm Collins & Aikman is a "Delphi II" which poses the question: Just how fast is the U.S. auto industry workforce and capacity now shrinking? The Bureau of Labor Statistics has no overall figures past September 2006, at which point national shrinkage had been 22% since July 2000 (from 1.330 million to 1.047 million). But MLive.com published a survey of the auto industry in the western New York region, which shows a much faster disappearance. There, during 2006-2007 alone (including some bought-out workers who have will leave in early 2007), there is a 27% shrinkage of employment taking place, from 10,400 in mid-2005 to 7,630 or less by mid-2007. "It could get worse" depending on U.S. auto sales. This survey is a cross-section of the industry, and includes the plants of GM, Ford, Delphi, Visteon, American Axle, and Continental Automotive Systems in the region.

Nationally, Collins & Aikman shows what is being lost. This is a 163-year-old family-owned firm, with a high proportion

of R&D, machine-tool, and product development in acoustical materials, instrument panels, turbines for small aircraft, etc. The firm has three tool-and-die centers and three other design centers, comparable to GM or Ford with 5-7 times the workforce. C&A owns at least 45 plants in North America with 14,000 employees, and through a partnership with Dura Automotive (also in bankruptcy), as many as 60 plants with 20,000 employees being impacted by the breakup/liquidation plan announced two weeks ago. Clearly, a second Delphi disaster, but more rapid. At least two plants will shut down this month, in Georgia and New Hampshire.

Ford orders had been about one-quarter of C&A revenue; total revenue was \$2.8 billion in 2005, of which Ford \$710 million; but Ford paid them only \$540 million in 2006. Other makers also pressured them to cut costs while in bankruptcy, to the point that C&A stopped parts shipments to Ford in October 2006, over pricing. One Ford plant in Hermosillo shut down as a result. This pushed C&A over the edge and they changed their bankruptcy exit plan to breakup, and liquidation selloff of most assets.

World Economic News

LaRouche: Brit Pound Collapse Aimed at U.S. Dollar

The real financial issue for Britain "is a collapse of sterling," not of real estate, a leading City of London analyst told *EIR* Jan. 5

"This is correct; this is the issue," Lyndon LaRouche responded. This is a *strategic* issue, and the "real aim of a collapse of the pound would be to pull down the American dollar." This has been done before by the British, LaRouche said. This was the policy in 1963, when the British began devaluing the pound to bring down the dollar. The way of doing this is to pull down the biggest financial element outside of the U.S. dollar, which was the pound sterling and the British financial empire, and then target the dollar itself.

The London source pointed out that central banks outside of Britain have been accumulating sterling, as an "alternative" to the dollar as the reserve currency. If the dollar continues to fall, and bottoms out, these central banks could pull out of sterling, and buy up dollars "cheap." Sterling is vulnerable, since it has been sold to other central banks at a rate of \$5 billion per quarter for the last several years; Britain's net foreign and gold reserves are only about \$20 billion at most.

He also said that China is *supporting* the dollar, which is sustaining the dollar's value at this time. The Chinese know that the value of their huge reserves would be destroyed if the dollar crashes, and that if it goes down, "everyone else" would use this as an opportunity to get out of the dollar, making the crisis worse. This, the Chinese will try to prevent by continuing their trade surplus with the U.S. and buying dollar assets.

LaRouche traced the history of British operations against the American dollar, in the 1960s, starting with the Harold Wilson government and ending with the devaluation of the dollar in 1968. LaRouche stressed that *there is no alternative to the dollar*; it is the international currency. He emphasized that this is a strategic issue, and that the enemies of the U.S. are going to try to pull something along these lines against the dollar system, to destroy the entire financial system, *fast*. We have about three months to get the new Democratic Congress up and running, and it is in this interval that the British will try to pull this dollar collapse.

Britain: 'Overvalued House Prices Threaten Crash'

British house prices are now at their most overvalued for 15 years, since the 1991 houses price crash, according to the new figures compiled by the Daily Telegraph/Lombard Street Research Housing Affordability Index, the *Telegraph* reported

Jan. 2. Householders also face a record tax burden and unprecedented levels of costs for utilities and other household bills. House affordability has fallen almost 20% in the past four years, with the average home buyer having to borrow 6.5 times their salary when buying a new property.

Banks and building societies are reporting that the average amount loaned for mortgages is now 146,900 pounds, which is a 12% rise just this year, and almost three times wage increases. The average salary is 22,900 pounds.

The *Telegraph* also quotes Prof. David Smith of the University of Derby, leader of the "shadow" (opposition) monetary policy committee, saying that borrowing rates could rise from 5% to 6.25% by mid-2008, because of the vast British debt bubble.

When the British housing bubble burst in the early 1990s, some 1.5 million homeowners suffered serious financial trouble due to the negative equity of their properties. Now, interest rates are much lower—5% instead of 15%—but the debt is much larger overall, so even a small interest-rate hike will bring disaster. In 1991, 75,540 houses were repossessed, 1 in 130 houses.

Thousands of British Homebuyers Can't Pay Mortgages

Britain's Financial Services Authority warned that thousands of homebuyers taking out "interest-only" mortgages have no idea how to repay them, the *Guardian* reported Dec. 14. The FSA said that 10% of borrowers of interest-only mortgages, some 50,000 people in 2006, "have either no idea or, at best, only a rough idea, of how they plan to repay the loan." Another 5% also have questionable repayment capabilities.

Some of these borrowers did not even know that the lender has the right to sell the house if the borrower fails to repay the loan capital.

Now, a full 25% of British borrowers are taking out these mortgages, some 500,000 this year. Many banks and building societies are not checking if the borrower has set up a way to repay the capital of the loan, the FSA reported.

Corporate Failures in Britain Up 10.7% in 2006

Corporate failures in Britain totalled 20,067 in 2006, which is 1,938 more than in 2005, reported Experian Business Information Jan. 2. This is the highest number of corporate failures since the company began reporting in 1997. The last quarter was the worst, with failures shooting up by 29.1%, the highest quarterly rate of failures since 1997, Experian reported.

The biggest number of failures was in "business services," up 24.6%, and the tenuous state of the housing market was shown by the increase in failures in building materials (up 95%) and property (up 23.7%). Other service "industries" also showed sharply rising failure rates, from 20%-65%.

Chrysler Signs Deal To Import Chinese-Made Cars

The Chrysler deal with China will make it the first automaker to confirm that it will sell Chinese-built cars in the U.S. market, *det.news.com* reported Dec. 30. The deal calls for Chinese state-owned automaker Chery to build entry-level cars under the Dodge nameplate that will go on sale in the U.S. in 2008. Industry consultants say that Chrysler's deal will be examined very closely by Ford and GM to see if they should do it too. GM Asia Pacific President Nick Reilly says that GM already exports Chinese-made cars to Russia. "We've proven we can do it," he says.

Chrysler's deal is portrayed in the *Detroit News* Dec. 30 as a "signal" to the United Auto Workers Union of its determination to cut costs. Past comments by DaimlerChrysler's China strategist, Ruediger Grube, about the company's interest in importing cars from China, had earlier sparked concern about the loss of jobs at home.

United States News Digest

Bush Claims Right To Open Mail Without a Warrant

In another of his infamous signing statements Dec. 20—probably written, as usual, by Dick Cheney's chief of staff David Addington—President Bush asserted that he has the right to open the U.S. mail without a court warrant, under emergency conditions.

Even though the new law, the "Postal Accountability and Enhancement Act," prohibits it, Bush says that he will construe that section "in a manner consistent ... with the need to conduct searches in exigent circumstances."

Rep. Henry Waxman (D-Calif), the incoming House Government Reform Committee chairman, who co-sponsored the bill, said that, "Despite the President's statement that he may be able to circumvent a basic privacy protection, the new postal law continues to prohibit the government from snooping into people's mail without a warrant."

"You have to be concerned," said a senior U.S. official who reviewed the matter. "It takes Executive Branch authority beyond anything we've ever known."

And a senior aide to the Senate Intelligence Committee aide vowed, "It's something we're going to look into."

Congressman Calls for Oversight of Federal Reserve

The incoming House Finance Committee chairman Barney Frank (D-Mass) called for more oversight of the Federal Reserve during a speech at the National Press Club Jan. 3. Frank was asked how the Federal Reserve fit into his agenda, and how he thinks the Fed should change.

"I think we should talk about it more," replied Frank. "But there are people in this country who think that the Fed somehow should be above democracy. I mean, I remember talking to people in the Clinton Administration: 'Oh, we can't discuss interest rates.' I mean, we can debate whether Terri Schiavo's life should be recognized as over. We can debate wars in Iraq, but God forbid anybody in elected office should talk about whether or not we need a 25-basis-point increase in the Fed. Somehow, that's sacrosanct. No, it isn't. It's public policy."

During the same speech, Frank also endorsed a universal single-payer health-care system. He said that even though it doesn't come under the jurisdiction of his committee, "The single greatest thing I would like to do in public policy is a universal single-payer health care system."

Issue of Impeachment Broached at White House Briefing

The issue of Presidential impeachment was broached at the White House briefing on Jan. 3, in a question from *EIR* correspondent Bill Jones. Earlier that morning, Rep. Debbie Wasserman Schultz (D-Fla.), who is close to the new House

Speaker Nancy Pelosi (D-Calif.), was interviewed on C-SPAN, and said that impeachment had been taken off the table. There were a good number of calls that came in, however, in which the Democratic base was demanding that it be put back *on* the table. The exchange between *EIR* and White House Spokesman Tony Snow went as follows:

EIR: While Speaker-to-be Pelosi seems to have taken the issue of impeachment off the table, if you listen to the C-SPAN call-ins today to Debbie Wasserman Schultz, about one out of three were calling for impeachment. Is the President concerned that there might be a groundswell, in spite of whatever promises may have been made, and in the light of all the investigations that will be going on, that the issue of impeachment still hangs as a specter over the White House?

Snow: The President is going to be doing his job. As somebody who used to be a talk show host, you learn, never try to take the pulse of a nation on the basis of people who call in.... I would hesitate to draw vast conclusions about the American populace based on folks who choose to call in to a single television program. The President is concentrating on winning in Iraq and working with Democrats to demonstrate that this government can function, it can do what the people want it to do, which is to spend their money wisely, to deal with priorities they care about, and to get the people's business done, while you're in a vigorous debate, a minimum of rancor.

Bush Throws Down Gauntlet to the Democrats

Speaking after a meeting with his cabinet Jan. 3, President Bush, feigning bipartisanship, actually threw down the gauntlet to the new House of Representatives. "The Congress has changed; our obligations to the country haven't changed," Bush said, continuing to stay the course, refusing to accept the reality that the world was turned upside down on Nov. 7. After blathering about how successful his tax cuts for the rich have been, he addressed the issue of the budget, which, because of his policies, now has the largest deficit in U.S. history. Bush claimed he would balance the Federal budget by 2012

He raised again the totally discredited proposal to privatize Social Security and Medicare, which he calls "reform," complaining that it "had been shot down by the Congress in the first year of his second term." Finally, he quickly turned on his heels when his comments were over and walked back to the Oval Office, refusing even to respond as questions were shouted by reporters gathered in the Rose Garden.

Typical of Democratic responses to Bush's press conference was Sen. Charles Schumer (D-N.Y.) who responded to Bush's call for "compromise" by commenting, "We hope that when the President says compromise, it means more than 'do it my way,' which is what he's meant in the past."

New Jersey Moves Towards Abolishing Death Penalty

A commission of the New Jersey State Legislature recommended on Jan. 2, that the state become the first to abolish the death penalty, since it was reinstated in the U.S. in 1972. The commission report found no compelling evidence that capital punishment serves a legitimate purpose, and increasing evidence that it is inconsistent with "evolving standards of decency."

The 13-member New Jersey Death Penalty Study Commission, including two prosecutors, a police chief, clergy members, and murder victims representatives, began meeting in June, and heard from scores of witnesses at five public hearings before issuing its 127-page report. The report states: "Based on our findings, the commission recommends that the death penalty in New Jersey be abolished and replaced with life imprisonment without the possibility of parole, to be served in a maximum security facility...."

New Jersey Gov. Jon Corzine (D), embraced the report. "As someone who has long opposed the death penalty," he said in

a statement, "I look forward to working with the Legislature to carry out the recommendations."

Kennedy-Era Historian Bemoans 'Stupidity of Our Leadership'

Historian Arthur Schlesinger, Jr. in a Jan. 2 op-ed in the *New York Times*, accounts in part for the disaster of the Bush Administration as being Bush's ignorance of history: "Many signs point to a growing historical consciousness among the American people. I trust that this is so. It is useful to remember that history is to the nation as memory is to the individual. As persons deprived of memory become disoriented and lost, not knowing where they have been and where they are going, so a nation denied a conception of the past will be disabled in dealing with its present and its future....

Schlesinger, who served as Special Assistant to the President in the Kennedy Administration, and authored the widely read book *A Thousand Days*, about JFK's brief term in office, added, "Sometimes, when I am particularly depressed, I ascribe our behavior to stupidity—the stupidity of our leadership, the stupidity of our culture. Three decades ago, we suffered defeat in an unwinnable war against tribalism, the most fanatic of political emotions, fighting against a country about which we knew nothing and in which we had no vital interests. Vietnam was hopeless enough, but to repeat the same arrogant folly 30 years later in Iraq is unforgivable....

But, Schlesinger added, hopefully, "The great strength of history in a free society is its capacity for self-correction."

Real Drug Crisis Is Among the Baby Boomers

When it comes to drug use, "forget the kids, the real crisis is among boomers," Center on Juvenile & Criminal Justice researcher Mike Males reported in a *New York Times* op-ed Jan. 3. Teenagers are the least part of the growing drug abuse crisis in the U.S.—despite the shocking fact that teenage deaths from illicit drug use tripled in the last decade, even as overall usage dropped in this age-group. Today, the fastest-growing population of drug abusers is white, middle-aged Americans: the Boomers. In the case of California, the state's Department of Alcohol and Drug Programs survey of drug abusers found that the biggest contributors to drug abuse, death, and injury in that state are educated middle-aged women, living in the Central Valley and rural areas, while the fastest-declining, lowest-risk populations are urban black and Hispanic teenagers. Death from drug overdoses of people in their 40s and 50s has risen 800% since 1980; 300% in the last decade. And with that, "graying baby boomers have become America's fastest-growing crime scourge." Arrests for drug offenses among those over 40 rose to 360,000 in 2005, up from 22,000 in 1980, while the number of Americans over the age of 40 arrested for violent and property felonies rose from 170,000 in 1980, to 420,000 in 2005.

The legacy of the Congress on Cultural Freedom's war is a 400% increase over the last two decades in the number of Americans of all ages dying of drug abuse.

Ibero-American News Digest

'Colombia and Ecuador: Conflict or Integration?'

The LaRouche Youth Movement (LYM) in Colombia hit the streets of Bogota, and the phones to Ecuador, starting on Jan. 2, with their hard-hitting statement posing the question to the population: "Colombia and Ecuador: Conflict or Integration?" The statement was spurred by the border dispute which erupted when Colombian crop eradication intended for the destruction of coca plants allegedly damaged legitimate Ecuadorian crops.

The LYM statement, a translation of which will be published in full in next week's *EIR*, explains that the international

financial oligarchy behind Cheney and Bush are the ones provoking wars and conflicts, in South America as well as the Middle East. That oligarchy is terrified at the Democratic victory in the Nov. 7 elections, and the role played by LaRouche and the LYM. The LYM lambasts the genocidal policy of globalization which has forced Colombian farmers to produce narco-crops instead of food.

Although the new U.S. Senate Majority Leader Harry Reid just led an important delegation in visiting Bolivia, Ecuador, and Peru to develop an amiable relationship with Ibero America (see last week's EIW Digest), what is necessary is Lyndon LaRouche's leadership addressing the urgent economic crisis.

The new political geometry has ushered in a President-elect of Ecuador, Rafael Correa, whose debt-restructuring proposals have induced extreme anxiety among the financial vultures. The true alternative to these disastrous Wall Street practices consists in converting the border between Ecuador and Colombia into a zone of agro-industrial development.

The LYM statement includes diagrams displaying the corridors of development for the entirety of the South American continent, describing LaRouche's proposals for vast advancements in mechanized agriculture, nuclear power plants, and maglev trains, and elaborates the economic development necessary to connect the continent to the World Land-Bridge.

Correa's election has expanded the potential of collaboration with Colombia's neighbor, and the LYM is now opening up organizing avenues in Ecuador. Already, the LYM statement has generated an interview on Quito radio on Jan. 5 with *EIR* Ibero-American editor Dennis Small, who told listeners that LaRouche is now bringing about a return to the policies of FDR in the U.S. Correa, who will be inaugurated on Jan. 15, takes office at a most interesting moment of history, Small noted. What most provoked the interviewer, was the idea that Cheney and Bush could be behind the border conflict between Ecuador and Colombia, as the LYM statement emphasized.

Financiers Fear Correa Will Adopt Argentina Model

Financiers worry that Ecuador's Rafael Correa may just do what he says he will do: force creditors into an "Argentine-style" write-down of Ecuador's debt, after he is inaugurated as President on Jan. 15. London's *Financial Times* ran two articles on Jan. 4, with the bankers' line that unlike Argentina, starving Ecuador is "oil-rich, and ... can afford to pay its debt." Should it default, it "would be due to a lack of willingness rather than ability to pay." The newspaper made clear the City of London will be watching to see what the new President will do vis-a-vis the \$135 million in interest payments on bonds due in February.

Financiers are already assaulting the country, to try and force a backdown. Yields on key Ecuadorian bonds have jumped from 7.88% in mid-November, to 13.48% today, rating Ecuador a greater credit risk than Iraq. Nonetheless, these bloodthirsty criminals brazenly bragged to the *Financial Times* that if Correa doesn't reschedule, "investors" could make a 35-45% return within six months.

Op-ed author Hal Weitzman threatens economic warfare can lead to Correa's fall: "The danger for Mr. Correa and Ecuador is that the mere threat of default could prompt an 'Argentina-style' financial crisis and a run on the banks, putting pressure on the country's dollarized economy and weakening his position as President."

Mexico's Public Health System Threatened

Mexican President Felipe Calderon is moving to privatize Mexico's public-health system, charged Asa Cristina Laurell, the Secretary of Health for the "legitimate President," Andres Manuel Lopez Obrador, on Jan. 4. Dr. Laurell was responding to the declaration by Calderon's Secretary of Health, Jose Angel Cordova Villalobos, that the Calderon government will

subcontract services where adequate public facilities do not exist—the condition of the entirety of Mexico! There are areas in which the government has no health infrastructure, and we are not going to be able to build it or expand what we've got, so the government will turn to the private sector, he told *La Jornada* on Jan. 3. He insisted that this was not privatization, since the patient wouldn't pay for services, only the government.

Dr. Laurell, however, disagreed: the intent here is to privatize the public health care system, he charged. The more resources the government uses for private services, the less it will have to construct public hospitals and facilities, the greater the public deficit ... and the greater will be the hand-out to the private sector—"a vicious circle."

The deficit in public hospitals worsened under President Vicente Fox's regime, which built no full-service hospitals, but only 12- to 15-bed "community hospitals," which are glorified clinics, Laurell said, but the current crisis in health care has been building since 1983, when the economic crisis collapsed the budget, she noted.

Western European News Digest

Personal Debt in UK Could Reach 'Tipping Point' in 2007

According to the anti-debt organization Debt on our Doorstep, Britons owe 1.3 trillion pounds (ca. \$2 trillion), 80% of it mortgage debt, the BBC reported Dec. 30. Just a relatively small increase in interest rates, which is being forecast, could set off a "snowball effect" for the whole economy. "People struggling with their debt repayments put their properties up for sale," spokesman Damon Gibbons told the BBC. "When house prices collapse, the collapse of prices leads to people who have borrowed against the increased value of their property, or buy-to-let investors, heading for the exit. In turn lenders who have overcommitted, rush to repossess as soon as people get behind with their mortgage re-payments."

The situation echoes the crash of the early 1990s, when hundreds of thousands of Britons had their homes repossessed. Only now, the debt mountain is much bigger. "One of the most striking statistics to emerge from the past few years is that the rise in house prices has been more than swallowed up by fresh borrowing such as remortgaging and consolidation loans," Gibbons said.

In addition, the *Daily Mail* is reporting an OECD (Organization for Economic Cooperation and Development) study shows that borrowing in Britain is the highest of the G-7 countries, at 159% of income. Some 150,000 Britons could go personally bankrupt this year, they say.

Threats Against Upcoming G-8 Summit Taken Seriously

Altogether, 38 incidents, including paint-bombs, window-smashing, and arson attacks, against the upcoming G-8 Summit have alarmed the police and anti-terror units in Germany. The attacks, widely reported in the press Dec. 28-30, one of which occurred at the hotel in the northern German city of Heiligendamm, where the summit will occur June 6-8, were claimed by "anti-globalization" activists. An arson attack against the Hamburg home of Thomas Mirow, Assistant Finance Minister of Germany, and chief coordinator of the G-8 Summit, was especially alarming to authorities. At the time of the arson attack, Mirow happened to be in the U.S., for talks about the German plans for hedge fund transparency.

One focus of police monitoring of the activities and threats voiced by the campaign against the summit, is the role of the British-originated Peoples Global Action Group, an umbrella organization and coordinating center of anti-globalization militants, internationally. Its magazine *Dissent!*, is also circulating in excerpted German-language versions, recently.

The group, which is working with extremists from the (nominally) "far left" to the (nominally) "far right," is walking in the footsteps of (Briton) Teddy Goldsmith and his anti-industrialist magazine *Ecologist*, and of the "Ecoropa" network of the (late) Congress of Cultural Freedom (CCF) co-founder and president (1952-1966) Denis de Rougemont. The latter also overlapped with the European Cultural Foundation of Jacques Freymond.

Germany, in general, has seen a resurgence of youth-related violence, from groups nominally on the political "left," notably ostensibly competing Anti-Fa (Anti-Fascist) and Anti-Deutsche (Anti-Germany). New-Year's eve saw riots throughout the nation, the worst centered in Leipzig, where 700 drunk or doped-up youth fought with police, wounding ten. A meeting is planned by the groups in Berlin in early January to map out the direction which the "struggle" will take during the coming year.

Italy Pushes for Worldwide Ban on Death Penalty

Italy hopes to rally the 85 member-nations of the UN, which signed a declaration in December against the death penalty, to push for a total worldwide ban on executions, ITV News reported Jan. 3. The proposal, announced by Prime Minister Romano Prodi, follows protests and disgust expressed by all of Italy's political parties, at the way in which former Iraqi dictator Saddam Hussein was executed.

Prodi said he would push the UN for a "universal moratorium" on capital punishment; Italy has just taken up a temporary UN Security Council seat.

Alessandra Mussolini, granddaughter of the fascist dictator and a member of the European Parliament, said her "blood ran cold" when she watched the pictures of Saddam's execution. "My mind immediately flicked to pictures of my grandfather, who also had his face uncovered, exposed to the public for ridicule."

Former Prime Minister Silvio Berlusconi called Saddam's brutal execution, in which those present mocked and jeered the former Iraqi dictator, as the noose was placed around his neck, a "political and historic error." Videos of the hanging have been posted all over the Internet.

Lazard's Kornblum Demands Germany Adopt Free Trade

On the eve of German Chancellor Angela Merkel's trip to the U.S., former German Ambassador and now head of Lazard's Germany operations, John Kornblum called on Germans to walk into "transatlantic free trade area" trap. Indicating intense pressure on the Christian Democratic wing of the German government to adopt the TAFTA design (originally worked out by synarchist banker George Shultz, when he was Secretary of State in the Reagan Administration), former U.S. Ambassador to Germany and present chairman of Lazard's banking in Germany, Kornblum, dedicates an op-ed in the Jan. 3 *Frankfurter Allgemeine* daily to the issue.

The notion that there is a "Western" community of values has been lost after 60 years of trans-Atlantic relations, Kornblum wrote, and today, confidence that the West can play a role in the world no longer exists. There is a profound crisis, like that of 40 years ago, when Europe and the United States had to find a way out of the Cold War paralysis, and the way out, Kornblum claims, came from two "visionaries"—Willy Brandt and Henry Kissinger, who developed the concept of *Ostpolitik*. Today, the challenge to the West is to establish the trans-Atlantic Free Trade Area, he wrote, and it should be evident, he added, that it would be more than just trade issues, that it would be a community of distinguished "Western" values comparable to NATO.

The Kornblum piece, which once again documents how much influence he still has, although he has had no official

diplomatic status since leaving the embassy in 2001, came on the eve of Chancellor Merkel's meetings with President George W. Bush and others at the White House, Jan. 4. Merkel, for her part, said in an interview with the Financial Times, published Jan. 3, that she would not go for the full TAFTA design, but agreed that a new trans-Atlantic agreement between the U.S.A. and Europe is necessary to stand up against Asian and Ibero-American "rivals" in the globalized economy. The reference to the Asians and Ibero-Americans is withheld in the published version of the interview—but is mentioned in radio and television coverage of the interview.

Purported Author of 'Sexed-Up' Iraq Dossier Is Knighted

John Scarlett, who claimed responsibility for the British government's sexed up "45-minute" Iraq dossier, which got Britain into the Iraq War, has received a knighthood in the New Years Honours list, the *Independent* reported Dec. 30. The list is submitted by the government to the Queen. Scarlett is now head of MI6, British foreign intelligence. On the same day, it was noted that the 127th British soldier was killed in Iraq.

Scarlett was chairman of the Joint Intelligence Committee in September 2002, when the Iraq dossier was written. In the 2003 Hutton Inquiry hearings into the death of the weapons expert David Kelly, Scarlett defended the sexed-up dossier, and defended Tony Blair, claiming Blair had not pressured the dossier's authors.

Big Increase in Voter Registration for French Election

The deadline for registering to vote being Dec. 31, many unregistered voters invaded city halls everywhere in France to get on the list for the 2007 Presidential elections, AFP reported Dec. 30. (The first round of voting will take place on Sunday, April 22, with a likely second round on Sunday, May 6.) Special instructions had been given to mayors that they keep city halls open on Saturday afternoon to allow prospective voters to register. Although the actual number of people who have registered will be known only in March, the estimation available reveals that the increase in the voter rolls is between twofold and tenfold in most cities. These new voters are predominantly in the lower 80% of family-income brackets, mainly youth and people from the working-class suburbs, in short, those people so much despised by the French "elites."

Jacques Cheminade, leader of the LaRouche-associated Solidarity and Progress party, is petitioning to become a Presidential candidate in the upcoming elections.

Youth Violence Erupts in Denmark

Violence has erupted in a dispute over the ownership of a large house in Copenhagen where dozens of youth were living, congregating for allegedly degenerate activities. The closure of the house by authorities provoked demonstrations in which about 1,000 people protested Dec. 17, and 186 were arrested, and then released. The "youth house" was previously state-owned, but then abandoned. After the youth, some of whom had come from other nations besides Denmark, took refuge in the house, the state demanded that they return it to their rightful owners.

The events have alerted EIR investigators to the possible relationship to the German antifa and minestrone of violent left-wing groups operating out of the youth center at Connewitz in Leipzig.

Russia and the CIS News Digest

Lavrov Campaigns for Concert of Nations

In his year-end press conference, Russian Foreign Minister Sergei Lavrov called for a "concert of leading nations" to address the world's gravest problems (*EIR Online*, Dec. 26, 2006). He cited the recent Political Atlas of our Time project of the Moscow State Institute for Foreign Relations (MGIMO) on the need for such collaboration, as against a one-empire world order. In his also traditional year-end interview in *Izvestia*, Lavrov further developed this idea, while also echoing his own early-2006 articles on overcoming the premises of the Cold War.

The Russian Foreign Minister detailed several constellations of leading nations. Because it was the first question, Lavrov started with the "Russia-USA-EU triangle," which he defined not in any narrow, "Atlantic" way, but on a Eurasian scale: "For us, it is of fundamental importance to establish practical cooperation in the area from Vancouver to Vladivostok [mapping it west to east—ed.], the development of constructive, open and forward-looking relations in this region on the basis of a mutual understanding of the interests and principles of indivisibility of security and prosperity, which already have nothing in common with the former ideological schism of Europe and the whole world. Such cooperation would also provide a material guarantee for those who fear that Russia may want to 'drive a wedge' into relations between the USA and Western Europe. As for Russia, for us this would ensure a new reading of trans-Atlantic relations—as not excluding Russia and not being built at its expense. We believe that, in the future, the geopolitical 'triangle,' whose corners are Russia, the European Union and the USA, may become one of the mainstays in the collective leadership of leading world countries that is being formed, and make a great contribution to restoring manageability to world development in accord with other centers of power."

Lavrov went on to discuss the importance Russia gives to working in various configurations, including its strategic partnership with China, activity in the Shanghai Cooperation Organization, and various regional forums, as well as the United Nations. Cooperation with Europe and the USA, he added, is not aimed against China, "just as the cooperation of Russia-China-India or the dialogue in the format of BRIC (Brazil, Russia, India, and China) are not aimed against the USA, the EU, or anyone else. Russia is not working with anyone against anyone else. Rather, it is working in the interests of resolving common problems. This brings us back to the idea of 'network diplomacy,' within the scope of which there will always be room for any diplomatic combination based on positive coinciding interests of the parties."

Noting the role of the Collective Security Treaty Organization (CSTO) in Eurasia, Lavrov concluded with an emphasis on the SCO: "We also attribute great importance to the activity of other international organizations that aid in maintaining peace and stability in the region of Eurasia. First and foremost, I am talking about the Shanghai Cooperation Organization. I think that specifically such a comprehensive and multi-level approach to the tasks of transforming the international architecture in the sphere of ensuring security and stability corresponds to the national interests of Russia."

Russia Seeks Japanese Cooperation in Reactor Development

Yomiuri Shimbun reported Jan. 1 that Atomprom, the new Russian nuclear power company scheduled to be launched officially in 2007, has asked Toshiba Corp. and Ishikawajima-Harima Heavy Industries Co. (IHI) of Japan to enter negotiation for a tie-up in developing manufacturing and supplying of steam turbines and generators. The Japanese companies have agreed on principle. It is also being said that the two Japanese companies have also been urged to invest in Atomprom. Toshiba and IHI jointly purchased the U.S. firm Westinghouse Electric Co. last year.

Atomprom will be created by integrating TVEL, which produces and supplies nuclear fuel; Atomstroyexport, which is in charge of overseas businesses; and Rosenergoatom, which operates nuclear power stations in Russia, among other related companies. The Putin Administration is committed to increasing the electric power generation capacity of Russia's 31 nuclear power stations and raising nuclear-based electricity generation from the present level of 16% to 25% by 2030. This plan requires installing two 100 MW nuclear plants every year.

Angry Belarusians Protest Gazprom Deal

In the aftermath of the agreement for Russian Gazprom to sell natural gas to Belarus at \$100 per thousand cubic meters in 2007, signed at two minutes to midnight on Dec. 31, Belarusian First Deputy Prime Minister Vladimir Syamashka announced Jan. 2 that the more than doubling of the price will be passed along to industrial gas-users in the country, while electricity rates will rise by 54% and heating rates by 55%.

A second energy dispute between the two countries is developing. Russia announced the end of duty-free oil supplies to Belarus's two refineries, imposing a \$180.70/ton fee. Today the Belarusian Foreign Ministry announced the retaliatory imposition of a \$45/ton customs duty on Russian oil that is piped across the territory of Belarus into the Druzhba pipeline, through which 90 million tons (1.8 million barrels per day) passed in 2006 en route to Poland, Germany, Slovakia, the Czech Republic, and Hungary. The Russian Economics Ministry accused Minsk of acting against ordinary procedure, unilaterally and without negotiations.

President Alexander Lukashenka appeared on Belarusian and Russian TV Jan. 4, angrily denouncing the gas sale terms and oil duties as a betrayal of the Russia-Belarus union and as showing ingratitude for Belarus's allowing Russian military facilities on its territory. Wire services that get their line from the circles that hate Lukashenka for his refusal to play by IMF and globalization rules were quick to crow, that the removal of Gazprom's subsidy "could deal a body blow" to the Belarusian regime. Prices are expected to jump for residential utilities; many Belarusians already spent an anxious New Year's eve, expecting the power to be cut off.

The situation of the Belarusian economy illustrates how phony the supposed level playing field of deregulated globalization is. How can reduced gas or oil prices for Belarus be out of order, given the historically specific structure of the country's economy, inherited from the Soviet Union? Within the USSR, Belarus was assigned a large petroleum refining and petrochemicals industry, along with auto (as in Belarus tractors, etc.), though it does not have on-site fossil fuel deposits. A system of subsidies to allow this industry to keep functioning would be reasonable to arrange among friendly neighbors, but it has fallen victim to the pressure—operating through Gazprom, in this instance—to garner top, hyperinflated petrodollars for every barrel of oil and cubic meter of gas.

Southwest Asia News Digest

Chirac Proposes Peace Conference on Israel-Palestine

French President Jacques Chirac promoted a peace conference on the Israel-Palestine crisis and the "upheavals" caused by the Iraq War, in a major foreign policy speech, reported Jan. 6 in the Israeli newspaper *Ha'aretz*, which notes that this could be his last major foreign policy address before the French Presidential elections in April. "Let us propose within the Quartet an international conference of a new type," which would not "dictate" terms of the settlement, but which would be a "real impetus" for negotiations.

Speaking to diplomats in Paris, Chirac said: "As France had foreseen and feared, the war in Iraq set off upheavals whose effects have not yet been fully played out," and could create a conflict "on an unimaginable scale." Within that context, "the Israeli-Palestinian conflict crystallizes all these resentments." Chirac continued: "This adventure has worsened the divisions among communities and threatened the very integrity of Iraq. It has undermined the stability of the entire region, where every country now fears for its security and its independence. It has offered terrorism a new field of expansion. The priority, more than ever, is to restore full sovereignty to the Iraqi people."

U.S. Seeks To Expand Conflict Between Abbas and Hamas

A U.S. State Department document obtained by Reuters and published by the news service Jan. 5 says that the U.S. will provide \$86.4 million to security forces loyal to Palestinian President Mahmoud Abbas. The money will be used to "assist the Palestinian Authority presidency in fulfilling PA commitments under the Road Map (peace plan) to dismantle the infrastructure of terrorism and establish law and order in the West Bank and Gaza," the document says. The document also says that Lt. Gen. Keith Dayton, the U.S. security coordinator for Israel and the Palestinians, would implement the program "to strengthen and reform elements of the Palestinian security sector controlled by the PA presidency."

A spokesman for Hamas, Mushir al-Masri, charged that the U.S. was attempting to promote a revolt against Hamas-led government. "We demand that Abbas reject this U.S. policy which is tearing the Palestinian people apart." Palestinian Prime Minister Ismail Haniyeh, speaking to reporters in Gaza City after Friday prayers, urged Palestinians not to let the conflict among them spill over into the West Bank. "Our fight is not an internal one," he said, "it's against the occupation."

On Jan. 5, Haniyeh and Abbas had agreed in emergency talks to keep gunmen off the streets of Gaza after clashes killed eight people and wounded 18 others. "We have expressed our regret and sorrow for these incidents that do not reflect our struggle," Haniyeh said. However, the next day, Abbas declared the Hamas security forces not already integrated with the PA security forces illegal. Khaled Abu Hilal, spokesman for the Interior Ministry, which is controlled by Hamas, accused Abbas of giving a "green light" for attacks on Hamas security men.

Israelis: Mideast Was Safer With Saddam in Iraq

"Israeli experts say Middle East Was Safer with Saddam in Iraq," ran the headline on an article in the *Forward* Jan. 5, quoting various Israeli officials and experts.

* "If I knew then what I know today, I would not have recommended going to war, because Saddam was far less dangerous than I thought," said Haifa University political scientist Amatzia Baram, one of Israel's leading Iraq experts. Baram says that although he had advised American officials of problems they might face after an invasion, he says that he didn't anticipate the scale of terrorism that would spread across the country, calling it "much, much more than I expected."

* Deputy Defense Minister Ephraim Sneh told Israeli radio that, with Saddam's death, "justice has been done," but now Israel must be concerned "about what is liable to happen in the future." He said Iraq had turned into a "volcano of terror," with "destructive energies" that could spill over into Jordan and Israel.

* An Iraqi now living in Israel, whose father was tortured to death by Saddam, says that "Israel would be safer today if Saddam had stayed in power."

* Eitan Barak, a security specialist at Hebrew University, says that the U.S., with Israel's blessing, replaced a bad situation with a much worse one. "Saddam's regime was preferable—not only for us but for all the states in the region, except for maybe the Iranians," Barak said. "Saddam held together a divided, tribal, hostile state of Sunnis, Shiites and Kurds. He was a single man who made all decisions, and he was a rational leader. The moment he was gone, everything fell apart."

Former Israeli Ambassador Calls for Dialogue with Syria

Itamar Rabinovich, the former Israeli ambassador to the United States and the current President of Tel Aviv University, penned a lengthy analytic piece in *Ha'aretz* Dec. 29, reviewing the prospects of Israeli peace with Syria. While taking note that the Bush Administration appears adamantly opposed to any peace deal between Israel and Syria, Rabinovich argued that there is good reason to suspect that Syrian President Bashar Assad is serious about striking a deal with Israel, and such a deal would be good for Israel as well.

In light of the complexities of the current situation, Rabinovich, who wrote of his experiences as Israel's negotiator with Syria at one time, in *The Brink of Peace*, proposed three policy guidelines. First, he said, Israel should issue a "qualified yes" to Assad's offer to talk. He cautioned against putting any preconditions on the table, that would lead to a Syrian rejection of the talks. Second, he said Israel has to talk to the United States, to get the Bush Administration accept bilateral talks. He noted that the "sweetener" that could bring Washington around, would be the prospect of "distancing Damascus from Tehran." Third, he proposed a "discreet inquiry." Each peace agreement that Israel has previously signed (Egypt, Jordan, and the Palestinians) "were attained following clandestine negotiations in which the principles of the arrangement were defined. It would be pointless to embark on full, open negotiations with Syria before a discreet inquiry has been made."

Rabinovich noted that Prime Minister Ehud Olmert is torn between proceeding again with talks with the Palestinians or taking up the Syria track, and that, as a result, there is confusion and chaos in Israeli policy circles, that must end. Rabinovich argued that discreet inquiries with Syria would enable Olmert to quickly decide on whether the Syria track is viable.

Russia Ready To Deliver Weapons to Iran and Syria

According to ITAR-TASS Jan. 3, an unnamed source at the Russian Defense Ministry said the Russian contracts to sell anti-aircraft weapons to Syria and Iran are being fulfilled as per schedule. At least half of 29 Tor-M1 missile systems bought by Iran for \$1.4 billion were delivered. The air defense systems are being stationed around Iran's civilian nuclear sites.

Meanwhile, Interfax news agency quoted Valery Kashin, head of weapons maker Engineering Design Bureau, as saying that Russia met all its commitments in 2006 under the contract to supply Syria with the Strelets anti-aircraft system.

Pentagon To Send Second Aircraft Carrier To Gulf

The Pentagon is to send a second aircraft carrier to the Gulf, according to a Reuters wire Jan. 3, reporting a leak from an official who spoke on "condition of anonymity." The aircraft carrier and its escort ships are supposed to be "a warning to Syria and Iran and to give commanders more flexibility in the region," the Pentagon source said. The Bremerton, Washington-based U.S.S John C. Stennis strike group is to deploy this month, putting 5,000 more U.S. sailors in the region, bringing the total to 16,000.

Israeli General: Iranian Bomb a Matter of Time

"An Iranian nuclear bomb is only a matter of time" if no military action is taken, the head of the Israeli Institute for National Strategic Studies (INSS) at Tel Aviv University, retired Gen. Zvi Shtauber declared. Shtauber, who also served as Israel's Ambassador in London, said that Israel was technically capable of striking alone, and would have to do so, if it takes action, because no other country would agree to work openly with it. Shtauber underlined that the time has not yet come to decide on military action. "We should do it only when it's clear we have exhausted our [other] means."

His statement came in the context of the release of the Institute's annual assessment of the strategic balance in the Middle East. In a statement distributed at a news conference, it underlined that Israel considers Iran to be the most serious threat to its security. "Time is working in Iran's favor and, barring military action, Iran's possession of nuclear weapons is only a matter of time," the Institute underlined. Furthermore, it was stated that Israel dismisses Iran's claims that its nuclear program is designed solely to produce energy.

Lebanese Crisis Continues; Cheneyacs Block Solutions

A flurry of new diplomatic activity has begun, to attempt to break through the deadlock in Lebanon, sources told *EIR* Jan. 4. Arab League delegate Mustafa Ismail is in Beirut, Arab League Secretary General Amr Moussa is expected soon, and Turkish Prime Minister Reycep Erdogan is there, all trying to mediate. Parliament Speaker Nabih Berri has shelved his "new initiative" for the moment, because, according to a Lebanese source, the U.S. government is continuing to sabotage any compromise solution. The March 14 group, acting on orders from the U.S., is blocking everything. "The solution does not lie in Cairo, Damascus, Riyadh, or Amman, but in Washington," he said.

At the same time, it has been reported that the Saudis have also tried to mediate. The King and Foreign Minister met with two Hezbollah representatives in Saudi Arabia on Dec. 26, though no details were given.

Asia News Digest

New Year's Eve Bombings in Bangkok Remain Unsolved

Terrorist bombs struck Bangkok on New Year's Eve just before and just after midnight. Six bombs, some of them hand grenades, exploded in markets and at police stations, killing at least three and injuring dozens. The early bombings caused the mayor of Bangkok to cancel the huge public "countdown" events held every New Year's Eve, calling on people to stay at home. The post-midnight bombs hit foreign tourist areas, injuring at least two foreigners. These are the first terrorist attacks in Bangkok in recent times.

The New Year's bombings in Bangkok remain unsolved—but it must be considered that the government had just made the international financial institutions very angry: The Thai Central Bank and Treasury slapped currency controls on most incoming hot money, requiring speculative funds to deposit 30% in a bank without interest for one year. The Bank of Thailand knew that the response would be a run on the baht and on the stock market, but they considered that a tolerable problem compared to the speculative flood which was destabilizing their economy and thus their sovereignty. However, they were clearly not prepared for a terrorist attack on Bangkok, which has seen no terrorism in recent history.

The bombings have provoked a serious financial crisis, with capital flight dragging the stock market down by 8% this week. (The *Financial Times* boasted that the Thai equity market was "already battered by a botched pre-Christmas attempt to curb the appreciation of the baht through capital controls." In fact, the controls had stopped the manipulation of the baht, and the market had stabilized before the bombings.)

Gen. Surayud Chulanont, the interim Prime Minister appointed by the junta which seized power in September, has blamed the bombs on associates of deposed Prime Minister Thaksin Shinawatra. Thaksin, in exile in China, denies any role, and suggests the Islamic insurgents in the South may have done it. The Defense Minister reported that the bombers were in uniform and may have been a rogue military or police faction. But no one within Thailand, as yet, has considered a "third force" responding to the Thai display of financial sovereignty.

China Presses Iran To Resume Six-Party Talks

Despite Iranian President Mahmoud Ahmadinejad's labelling of UN Security Council Resolution 1737, which imposed sanctions on Iran, as "trash paper," Chinese President Hu Jintao, during his meeting with the visiting Iranian nuclear negotiator Ali Larijani on Jan. 5, said that he expects Iran to offer a "serious response" to the Resolution 1737.

"The UN Security Council unanimously adopted Resolution 1737, which reflects the shared concerns of the international community over the Iranian nuclear issue, and we hope Iran will make a serious response to the resolution," said President Hu.

Before meeting with Hu, Larijani met with the Chinese State Councillor Tang Jiaxun. Tang told Larijani that Tehran's defiance was counterproductive. "China has always maintained that dialogue and negotiations are the best way to resolve the Iranian nuclear issue."

Larijani told Tang that Iran will honor the principles of the Nuclear Non-Proliferation Treaty, which China considers an important tool for reducing worldwide nuclear proliferation, and will continue to seek a just and reasonable solution to the Iranian nuclear issue through talks.

South Korea Plans Space Rocket in 2008

South Korea plans to launch its first space rockets next year, officials said on Jan. 2. A space center in South Korea's south coast is almost 90% complete. The rocket, named the Korea Space Launch Vehicle, will put small satellites, weighing up to 220 pounds, into orbit for scientific research and atmospheric surveys. "This means that we will have our own satellites and launch vehicles at the same time, laying the foundation for further space development," said Hwang Pan-Sik, a deputy director of the Ministry of Science and Technology,

The "further space development" to which Hwang referred, could very well be an independent missile defense system, according to AFP. The chairman of the Joint Chiefs of Staff (JCC) of South Korea called for development of the program in his command book following North Korea's nuclear test on Oct. 9, 2006, a JCC official told AFP.

The missile defense system will be designed to intercept low-altitude missiles, Yonhap news agency subsequently said. As part of its independent system, South Korea has announced plans to buy 48 second-hand Patriot missiles from Germany from 2008 on. It also has sought ground control equipment for the Patriots from the United States.

Protests in Philippines Over Handling of Rape Case

Protesters in Manila called Presidents George Bush and Gloria Arroyo "the king and queen of rapists," in response to Arroyo's decision to ignore the Philippines courts and turn a U.S. soldier convicted of rape over to the U.S. Embassy; but the reference is not only to the woman who was raped, but also to the rape of the Philippine Constitution. The *Philippines Inquirer*, the establishment newspaper, wrote Jan. 1 that what is at stake is not only the future of U.S.-Philippine relations, "but the future of the rule of law. We can survive as a nation without the help of the Americans, if it comes to that. But we cannot survive without the rule of law. President Arroyo's decision to transfer custody of Lance Corporal Daniel Smith—without clearance from the Court of Appeals, and in direct defiance of a standing order of Makati Regional Trial Court Judge Benjamin Pozon—was an act of calculated political expediency; it was meant to please the Americans. But her hospitality did not only sacrifice national dignity at the altar of convenience; it also broke the law."

Exhibiting the "unitary executive" mentality which the Philippines regime has learned from the Bush-Cheney Administration, Presidential legal advisor Sergio Apostol said of Smith's midnight transfer to the U.S. Embassy: "We are the jailer, so we can decide where to detain a convicted criminal," adding that if the courts don't like it, they can "cite the executive department for contempt."

Concludes the *Inquirer*: "This is not the rule of law, but rapist's justice."

FTAs Will Cost 100,000 South Korean Jobs

South Korea's Commerce Ministry warned that the free-trade agreements (FTAs) under negotiation will cost 100,000 South Korean jobs, the *Korean Times* reported Jan. 1. Free trade agreements with the United States, Japan, China and the Association of Southeast Asian Nations (ASEAN) will put over 100,000 Koreans out of work in the next 10 years, according to the South Korea Ministry of Commerce, Industry, and Energy (MOCIE). In a report submitted to the National Assembly on 1/1, the ministry said that the FTAs will put pressure on some 13,000 firms to rationalize their workforce. This is the first time for any government organization to come up with specific data on the effects that FTAs will have on the economy in general.

As with most Democrats in the U.S., these ugly truths don't translate into efforts to scrap the FTA's, but only to calls for government support for those firms that get hit the hardest.

China's Migrant Workers Impoverished, Unpaid

China now has 115 million migrant workers, 6.7 million in 2006 alone, China's Ministry of Agriculture, according to Xinhua Dec. 31. Many of these impoverished workers are not being paid for their work, despite efforts of central and local government to ensure wages are paid. This is a big problem at this time, when the millions of workers want to return to their home villages for the New Year's festival.

One young rural worker was beaten to death when he tried to collect some 40,000 yuan (over US\$5,000) in unpaid wages for a group of migrant construction workers. "Factories and construction companies withholding workers' pay has been a persistent problem in China in the last 10 years," Xinhua reported. In the impoverished interior province of Gansu, an investigation in recent months of 6,000 enterprises and construction firms, found that some 980 employers were found to owe 130 million yuan (US\$16.6 million) to 130,000 migrant workers. In the eastern province of Jiangxi, some 518 companies had defaulted on 62,000 migrants' wages of 24 million yuan (US\$3.1 million). This year, according to union organizations, they had to help 2.8 million migrant workers claim 1.3 billion yuan (US\$162.5 million) in unpaid wages.

The situation has led to protests and demonstrations by unpaid migrant workers. One group of 87 construction workers has been demonstrating in Beijing in front of a construction company that has withheld 1.4 million yuan (US\$180,000) of their wages.

Contingencies for Chinese and North Korean Aggression Planned

Kyodo and Asahi news agency report Jan. 4 that unnamed Japanese and U.S. officials will be formalizing plans to develop a military approach to deal with a possible Chinese invasion of Taiwan, in the event of the latter declaring independence; response to a potential North Korean missile attack on Japan will also be discussed. It must be noted that in order for Japan to conduct such military adventures, its pacifist constitution will have to be changed, and this is a top priority for the Abe Shinzo government.

China has responded predictably on the Taiwan issue, stating, "Taiwan is an inseparable part of China. Any arrangement or consideration should respect and abide by the principle of one China."

Africa News Digest

Release Alleged al-Qaeda Tape To Stoke Horn of Africa Conflict?

In a move that bolsters the Cheney-Bush Administration's efforts to provoke an anti-Islamic crusade in the Horn of Africa, an unauthenticated audiotape, purportedly by Osama bin Laden's number two man, Egyptian-born Ayman al-Zawahri, was released Jan. 5. The tape called for launching an Iraq-style guerrilla campaign of suicide and other attacks against Ethiopian forces in Somalia. "You must ambush, mine, raid, and [carry out] martyrdom campaigns so that you can wipe them out," the tape proclaimed.

The tape also implored Muslims worldwide to support Somalia's Islamists with fighters, money, and expertise: "I speak to you today as the crusader invader forces of Ethiopia violate the soil of the beloved Muslim Somalia." The tape called Somalia "one of the crusader battlefields that are being launched by America and its allies and the United Nations against Islam and Muslims."

The day before, Robert Kerr, a counsellor for public affairs at the U.S. Embassy in the Kenyan capital, Nairobi, said that the United States has a right to pursue Somalia's Islamists: "Counterterrorism is one of the U.S.'s goals in Somalia. We feel we have a right to pursue al-Qaeda terrorists wherever they are."

U.S. Navy ships are patrolling the East African coastline so that the al-Qaeda elements the Bush Administration says are there, can't escape.

Under the guise of opening a new front in the anti-Muslim "global war on terror" by supporting the presence of Ethiopian troops in Somalia, the Bush Administration is attempting to create the conditions needed to nurture a fundamentalist jihadist movement in Somalia. The resulting conflict could set the entire Horn of Africa on fire, sparking an unprecedented humanitarian crisis, and widening the divide between the West and the Islamic world.

Ethiopia-Somalia Crisis Threatens To Engulf Neighbors

The crisis is already showing signs of how it could engulf neighboring countries in the region. Ethiopian/Somali forces are hunting down fleeing radical jihadists thought to be hiding in the Somalia-Kenya border area. The *Kenyan Times* reported that Ethiopian helicopters pursuing the elements of the Somali radical Islamic militia bombed a Kenyan village, and that six herdsmen are feared to have been killed in this incident. Kenyan Foreign Affairs Minister Raphael Tuju denied this report, but reiterated strong support for the Transitional Federal Government (TGF) in Somalia, which is now being backed militarily by the Ethiopian government. Kenya played a leading role in setting up the Transitional government for Somalia, in late 2004.

Already at that time, Kenya was the country with the largest number of Somali asylum seekers, and the number is now growing. There is also a significant number of Kenyans who are of Somali origin, because the colonial powers cut through a Somali clan when they drew the colonial border.

It is feared that radical jihadist fighters and their allies from Somalia will attempt to enter Kenya, an area which is already populated mainly by Somali refugees, to melt into those populations. There have already been reports that Ethiopians have mistaken Kenyan infantry troops and vehicles for fleeing Islamic fighters, firing missiles at them.

EIR sources indicate, however, that the number of hard-core fundamentalist jihadist fighters is actually quite low, and nowhere near the majority, as Ethiopian Prime Minister Meles Zenawi has claimed.

However, the presence of an African Union peacekeeping force is necessary for Ethiopia to withdraw, and the materialization of this force could take a significant amount of time. Thus, Ethiopia will be seen as a U.S.-backed occupying force, playing into the hands of the radical jihadists, allowing them to grow. The U.S. provided Ethiopia with

intelligence and aerial reconnaissance for its military intervention.

While the Bush Administration maintains that the Ethiopians are winning, all that has been accomplished so far, in the eyes of many observers, is that Bush and Cheney have ensnared Ethiopia in a quagmire, and created a new and very violent hotbed of anti-Americanism in the impoverished Horn of Africa.

Ethiopian Prime Minister Meles said his troops would be in Somalia for a week, but by Jan. 2 was saying that the troops would be pulled out within weeks, after accomplishing their mission of eliminating the extremists before they would withdraw. But Prime Minister of the Ethiopian-supported TFG, Ali Mohammed Gedi, has said that Ethiopian troops could be staying in Somalia for months.

On Jan. 6, hundreds of people were protesting in the streets of Mogadishu, according to a BBC report. The reported targets of their protest were the presence of the Ethiopian forces backing the TFG, and the fact that the TFG wanted to confiscate their weapons. Mogadishu is full of weapons, and violence has grown rapidly since Ethiopian-led troops ousted Islamist militias in late December.

China's Aid to Africa Has Strategic Component

China has signed a series of loan, debt-relief, and economic cooperation agreements worth \$80 million with Chad, according to a Jan. 5 Reuters report. The move comes less than six months after Chad cut off its ties with Taiwan and adopted the "One China" policy.

China's aid to Chad is one component of Beijing's ongoing involvement in Africa. China's help to Chad came days after China forgave \$75 million of debt owned by Equatorial Guinea, one of the fastest-growing oil producers in Africa.

China is a major ally of Chad's neighbor Sudan, supplying it with everything from oil industry equipment to arms. Chad's President Idriss Deby has over the years complained about Sudan for backing rebels who want to overthrow Deby. Chad has also accused Sudan earlier for cross-border raids into eastern Chad launched by militia fighters from Sudan's war-torn region of Darfur.

The Chinese intervention in Chad in a positive way raises the possibilities of bringing a state of understanding, and peace, between the two neighboring nations in sub-Saharan Africa.

This Week in American History

- January 9 — 15, 1914 -

Henry Ford Inaugurates the Automobile Assembly Line

On January 14, 1914, the Ford Model T automobile was produced on an assembly line for the first time. The designs and working models of shorter assembly lines for its component parts had been tested over the preceding year or so, and now each chassis of a future Model T travelled on a conveyor belt until it was completed and driven out of Ford's new Highland Park, Michigan factory. This method of mass production had its roots not only in the exhaustive tests conducted by Ford's engineers, but was also an extension of production processes that had begun right after the American Revolution.

Inventor Oliver Evans of Delaware, who served in the Pennsylvania Militia during the Revolution, built and patented a totally automated flour mill in 1785. George Washington, Thomas Jefferson, and other Founding Fathers paid Evans a fee for the plans, and built their own mills. Grain was delivered by wagons to the ground floor and was lifted to the top by waterpower. The grain then descended by gravity, meeting on its way a variety of rakes, bucket elevators, conveyors, and screw devices which dried, milled, spread, cooled, and sorted the grain until it exited as flour.

Whereas a regular flour mill, equipped with a miller and two assistants, generally produced 17 barrels of flour per 100 bushels of grain, Oliver Evans' mill, with one man to oversee its functioning, produced 21 barrels of superfine flour for every 100 bushels of wheat. This increase in productive capacity, and the concept of a smooth, automatic flow from raw material to finished product, was supplemented by the work of Eli Whitney, who spent most of his life trying to achieve the standardization and interchangeability of parts for firearms.

The work of Whitney and other inventors led to the spread of the "Armory System" of interchangeable parts from the Federal arsenals to private manufacturers. Many pre-Civil War firms, such as clock manufacturers, used the armory system, but the Singer Sewing Machine and the McCormick Reaper were not produced by that system until the 1880s. Mechanized conveyors were adopted for use in beer breweries in the late-18th Century, shortly after Oliver Evans demonstrated their usefulness in his flour mill.

The use of actual conveyor belts to move materials along from worker to worker was inaugurated by Edwin Norton, in 1885, in the manufacture of tin cans. The group of young mechanics whom Henry Ford had gathered together to help him manufacture the Model T studied all of these elements, plus the "disassembly" system of processing meat in the Cincinnati and Chicago stockyards.

Henry Ford did not invent the automobile or the assembly line, but he did determine to mass-produce the automobile in such a way that production per man-hour increased and the price decreased. When his early stockholders tried to dictate the car models he should make, he bought up all the stock in his company, for he was convinced that the only way to mass produce an automobile was to concentrate on materials, parts, and machine tools for only one model.

There were much more advanced car designs in Europe in the first decades of the 20 Century, but cars there were considered to be a luxury item for the titled and wealthy, so mass production was not considered. Ford, on the other hand, unleashed his mechanics to conduct production experiments with no preconceptions. Technological innovation by Ford, or in the firms that supplied its tools, was the order of the day—when a new machine tool proved superior, all the old ones were replaced. And the profits from the sales were plowed back into the firm for further research and development. Beyond the initial \$28,000 investment, the Model T financed itself for 18 years.

In 1908, before factory production had actually begun, Henry Ford set the goal of "a car a minute." By 1913, output was 1,000 cars a day, and in 1915, the one-millionth car came off the moving assembly line. This increase in production was accompanied by a continually declining price.

The assembly-line system, which began in a small way in 1913, and then was extended to different components of the car, was designed on the basis of bringing all work to the workers at waist level. The first assembly line was for the fly-wheel magneto, which had taken one man 20 minutes to assemble. The assembly line broke the work into 29 operations, with each worker adding something to it. This cut the time to 13 minutes, and then when the conveyor was raised to waist level, the time dropped to seven minutes. The next assembly line was developed for the motor itself, and then other processes were gradually added.

When it came time to design an assembly line for the car's chassis, to add all the other parts which had been completed on assembly lines, much of the resultant success was due to Clarence Avery, who had been young Edsel Ford's manual

training teacher in high school. He took eight months to study every manufacturing operation at the Highland Park factory, and then he and other members of the team set up a windlass in a large open space and stretched out a rope 250 feet. The assembly line which they constructed had components placed at different intervals along the path, and the workers on the chassis were able to decrease the time from 12-and-a-half man-hours under the old system to five and five-sixths man-hours. The wheels, motors, and other components which the workers added to the chassis were brought to them on overhead trolleys which travelled from the sub-assembly lines.

In October, the line was shortened to 150 feet with more workers, and the man-hours dropped to slightly less than three hours per chassis. In December, continuing the experiment, the length of the assembly line was increased to 300 feet and the number of workers was again increased, leading to a time of two hours and 38 minutes. After Christmas, more men were added to the same line, but they pushed the assembly along by hand, which increased the time needed to finish. Then, on January 14, the chassis was carried by an endless chain, the beginning of the actual assembly line.

Over the next four months, more experiments were carried out on the line, and by the end of April 1914, the workmen had put together 1,212 chassis assemblies in eight hours. The Ford engineering staff, buoyed by these developments, began a search for other labor-saving opportunities in the various shops, regardless of former precedents and traditions that had grown up.

Henry Ford described how the operation worked: "In the chassis assembling are forty-five separate operations or stations. The first men fasten four mud-guard brackets to the chassis frame; the motor arrives on the tenth operation and so on in detail. Some men do only one or two small operations, others do more. The man who places a part does not fasten it—the part may not be fully in place until after several operations later. The man who puts in a bolt does not put on the nut; the man who puts on the nut does not tighten it. On operation number thirty-four the budding motor gets its gasoline; it has previously received lubrication; on operation number forty-four the radiator is filled with water, and on operation number forty-five the car drives out."

The turnover at Ford's factory during the time the assembly lines were being tested was very high, so he inaugurated the \$5 an hour wage level to keep his workers and also to enable them to buy the product they worked on. Many criticized the repetitiveness of work on the assembly line, but Ford replied: "I have heard it said that we have taken skill out of work. We have not. We have put in skill. We have put a higher skill into planning, management, and tool building, and the results of that skill are enjoyed by the man who is not skilled. Our skilled men are the tool-makers, the experimental workmen, the machinists and the pattern makers. They are as good as any men in the world—so good, indeed, that they should not be wasted in doing that which the machines they contrive can do better."

In May of 1927, the production of Ford's Model T was stopped. Other car manufacturers such as General Motors, Chrysler, and Packard were producing well-designed automobiles, and the public was buying them in large numbers. Ford's engineers took a year to retool the River Rouge plant for the new Model A, and from then on there were new models developed almost yearly. The change became known as "flexible mass production."

Henry Ford did not like the idea of new models every year, and some writers of the time asked the question: "How many automobiles can America buy?" The change from relying on highly specialized machine tools for just one model, to using at least some portion of machine tools that could be converted to other uses, had a positive result. It enabled Ford, at its famous Willow Run plant, and other manufacturers as well, to gear up production to provide war materiel under Lend Lease and to become the "Arsenal of Democracy" for the defense of the Americas against the Axis Powers.

After the end of the war, many industrial engineers and designers brought automation to a higher level, so that the 1990s John Deere tractor factory in Waterloo, Iowa was almost completely automated, watched over and repaired by a small and highly-skilled staff. Oliver Evans would not have been surprised.

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