

**Citizens Electoral Council of Australia
International Conference**

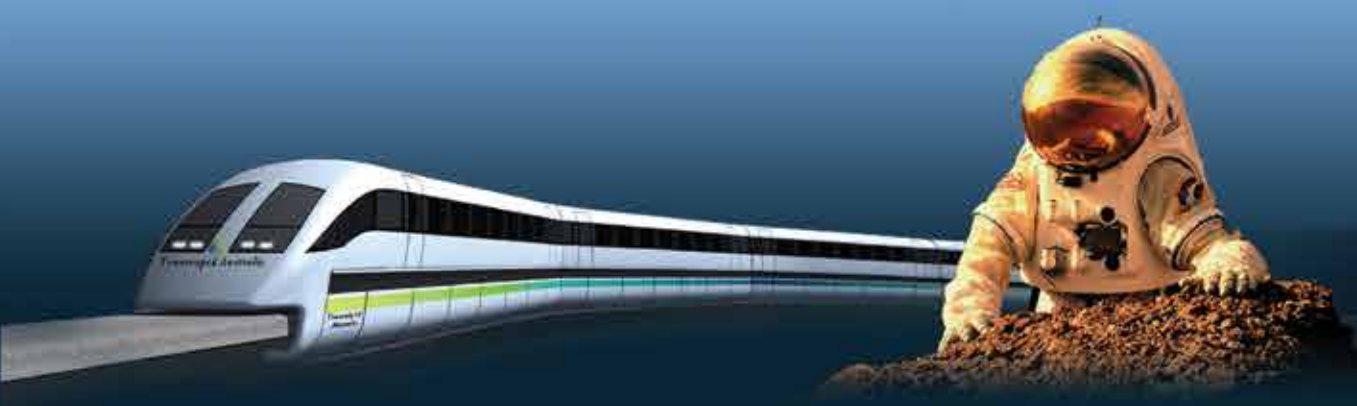
28-29 March 2015

The World Land-Bridge

Peace on Earth, Good Will towards All Men



Peace
through
Development



\$25

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The World Land-Bridge:
Peace on Earth, Good Will
towards All Men

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Citizens Electoral Council of Australia

CEC Australia is a national political party, established in 1988 in Queensland. In the early 1990s, the CEC became closely associated with the LaRouche organisation in the U.S., based upon physical economist Lyndon LaRouche's concepts of achieving peace and national sovereignty through economic development, both for Australia, and for all regions of the world.

The World Land-Bridge

Peace on Earth, Good Will towards All Men

28–29 March 2015



Table of Contents

Letter of Transmittal	3
Welcoming Remarks	4
Tribute to Malcolm Fraser	6
Part 1. The World Land-Bridge: It's Being Built!	
Keynote Address: A New Model of Relations among Nations	9
Helga Zepp-LaRouche, Founder and Chairman of the Schiller Institute	
The Power of the BRICS Process: Views from Russia	20
Prof. Georgy Toloraya, Executive Director, Russian National Committee for BRICS Research	
Russia's Strategic Engagement with BRICS: a Geostrategic Perspective	27
Dr Alexey Muraviev, Curtin University, Perth, WA	
The Power of the BRICS Process: Views from the United Kingdom	
Introduction to interviews — Gabrielle Peut, CEC Executive Member	34
Michael Meacher, MP	35
Jeremy Corbyn, MP	40
Robert Oulds, Director of the Bruges Group	44
China: Great Infrastructure Projects at Home and Abroad	48
Jeremy Beck, CEC Victoria State Chairman	
China's Helium-3 Revolution	55
Benjamin Deniston, LaRouche Policy Institute	
The BRICS Process is Transforming Ibero-America	60
Dennis Small, Ibero-America Intelligence Director, <i>Executive Intelligence Review (EIR)</i>	
Developing Egypt through the BRICS	66
Hussein Askary, Arabic Language Editor, <i>EIR</i>	
Developing Africa through the BRICS	70
Ramasimong Phillip Tsokolibane, leader of LaRouche South Africa	

Table of Contents (*continued*)

Part 2: World War III, or a New Global Renaissance?

Report from Ukraine	75
Dr Natalia Vitrenko, former MP, leader of the Progressive Socialist Party of Ukraine	
The Strategic Showdown with Russia and China	80
Jeffrey Steinberg, Counterintelligence Director, <i>EIR</i>	
Who Is Sponsoring International Terrorism?	89
Glen Isherwood, CEC Researcher	

Part 3: A Global Financial Crash, or New Credit Systems?

The Unfolding Global Financial Crash and Nascent New Institutions	95
Paul Gallagher, Economics Intelligence Director, <i>EIR</i>	
The Hamiltonian Revolution and FDR's Glass-Steagall	105
Robert Barwick, CEC Executive Member and Research Director	
The Australian Precedents for a Hamiltonian Credit System	114
Craig Isherwood, CEC National Secretary	

Letter of Transmittal

Dear Reader,

On 28–29 March 2015 my organisation, the Citizens Electoral Council of Australia, a federally registered political party, sponsored a remarkable international conference in Melbourne, under the title featured on the cover of this magazine. Starting with the keynote address by Schiller Institute founder Helga Zepp-LaRouche, of Germany, the conference heard that the rapid emergence of the BRICS group of nations (Brazil, Russia, India, China, and South Africa), coming just as the Anglo-American-dominated trans-Atlantic system heads for likely the worst financial crash ever, marks a turning point in human history. Speakers came from around the world and ranged across the political spectrum, among them being guests from BRICS members Russia and South Africa; experts from the U.S.-based *Executive Intelligence Review*, founded by American economist Lyndon LaRouche; and, for the first time at a CEC conference, UK figures who contributed in the form of video interviews pre-recorded for the conference. All were unified in their assessment that the City of London/Wall Street-centred Anglo-American powers would rather plunge the world into endless international terrorism and war, including the likelihood of thermonuclear war, than relinquish their present power.

The conference analysed the activities of this London/Wall Street nexus, which are invariably shrouded in the lies and misinformation purveyed by the mass media it controls. More fundamentally, it aimed to set forth a solution to this nightmare. That solution, the speakers agreed, must start with immediate implementation of Glass-Steagall banking separation, to end the destructive effects of the City of London and Wall Street speculative bubble, now measured in quadrillions of dollars; to date, the bubble has stayed afloat by looting the physical economy of much of the world. Secondly, we discussed doing everything possible to mobilise support within Australia, the United States, Britain, Europe, and elsewhere, for the emergence of the new, just world economic order already embodied in the BRICS alliance. Accordingly, our conference presented the powerful legacy of Hamiltonian national banking, as a necessity for every nation.

The sheer scale of what the BRICS powers have accomplished, since their epochal July 2014 summit in Fortaleza, Brazil, is breathtaking. The launch of grand infrastructure projects by BRICS members and their allies such as Egypt; the plans of these nations for reaching into outer space; and the steps taken by BRICS towards creation of a new worldwide financial architecture, are all documented in the conference proceedings published here. The emerging financial

architecture will finance the great-project development so hated by the International Monetary Fund, World Bank, Asian Development Bank, and European Central Bank. About to go operational, or already functioning, are the US\$100-billion New Development Bank (“the BRICS bank”), the \$100-billion Asian Infrastructure Investment Bank (AIIB) with its 57 founding nations, the \$40-billion Silk Road Development Fund, the \$20-billion New Maritime Silk Road, and the planned Shanghai Cooperation Organisation bank. These and other new funding sources will soon be providing trillions of dollars for physical-economic development. Participation in these new institutions and projects is truly what China’s President Xi Jinping calls it, a “win-win” proposition for all nations of the world—even for the trans-Atlantic powers, should they drop their present, insane commitment to speculative looting and warmongering.

An entirely new form of global civilisation could soon emerge through the BRICS, but, given the bitter opposition of the Anglo-American oligarchy, it won’t happen on its own. *You have to do your part*, which is why we have published the proceedings of this conference. Whether you are in Australia, England, Ireland, Northern Ireland, Scotland, Wales or elsewhere, you should take this magazine to the authorities at all levels—federal or national parliaments, state governments or city councils—and demand that they support the BRICS-centred new world order, and actually join the BRICS process. Scotland is a prime example: the idea of independence, cherished by so many Scots, can *only* be secured by breaking from the City of London, establishing relations with the BRICS, enacting Glass-Steagall, and founding a genuine national bank to fund Scotland’s physical economy. Otherwise, under the present London/Wall Street policies of vicious austerity, speculation and war, a truly independent Scotland will remain a pipedream, as will the hopes of any other country so enslaved.



Craig Isherwood

A handwritten signature in blue ink, appearing to read 'C. Isherwood', written over a light blue background.

Craig Isherwood
National Secretary
Citizens Electoral Council of Australia

The World Land-Bridge: Peace on Earth, Good Will towards All Men

28–29 March 2015



Welcoming Remarks

Craig Isherwood

CEC National Secretary

Welcome, everyone, to this international conference of the Citizens Electoral Council. This room is packed, compared to the last conferences we've had here. This is only the second international conference that we've run; the last one was in 1993, twenty-two years ago. So, this is a remarkable turn-out, representative of the sort of ferment that we have had, coming into this conference, from a number of meetings around the country.

I would like to say to everyone, that it is thanks to you that we have been able to print 250,000 copies of the Nov.–Dec. 2014 *New Citizen* newspaper (p. 5, top right) and spread it around the country; but also to produce the magazine *Establish a New, Just World Economic Order* (p. 5, top centre), now circulating amongst the leadership of our country.

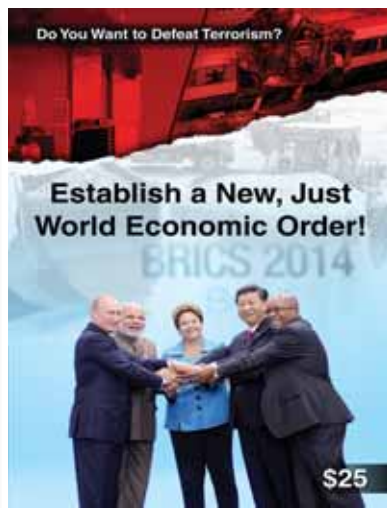
Now, we've spread them all over Australia, of course, but what you don't know is that in early December last year, we also mailed those magazines and *New Citizens*, hard copies of them, to all of the House of Lords in the United Kingdom, all of the House of Commons, all the Welsh, Scottish and Irish MPs, and all the Bishops in the Anglican and Catholic churches; and we got some very good, and very thoughtful and grateful replies. We also emailed a letter, with the links to those publications on the internet, to three thousand local Councillors in the UK.

If you've been studying the media lately, part of what that *New Citizen* headline says, "UK must join BRICS in new economic order", is coming to fruition, in the sense that the first step, of them joining the AIIB, the Asian Infrastructure Investment Bank, has actually come about: the UK is joining that bank. The job of this conference is to help us do that in Australia



as well: for us to join the BRICS.

I would also like to welcome some very distinguished guests: Helga Zepp-LaRouche, who is joining us by live video link from the United States, the founder of the Schiller Institute; and also some distinguished guest speakers from the BRICS nations, who will be addressing our conference. They are: from Russia, Professor Georgy



Two CEC magazines (left, centre) produced in 2014 and the Nov.–Dec. 2014 issue of *The New Citizen* newspaper gave a road map for a new world economic order, to derail the present Anglo-American drive for world war.

Toloraya, Executive Director of the Russian National Committee for BRICS Research, and Dr Alexey Muraviev, who is originally from Russia and is now based at Curtin University in Western Australia; and Phillip Tsokolibane from South Africa, who has joined us for this conference.

In this morning’s opening panel, the first of two panels entitled “The World Land-Bridge: It’s Being Built!”, we shall also be hearing from Helga, the founder of the Schiller Institute, who is online now, live via Google Hangouts. We’ll also be hearing, through pre-recorded video contributions to this conference, from two members of the House of Commons in the United Kingdom: the Right Honourable Michael Meacher, and the Honourable Jeremy Corbyn; as well as from Robert Oulds, Director of the Bruges Group, also in the UK.

The participation of these honoured guests stems from our work during the past year on matters that

will be major topics at this conference: the need for instituting Glass-Steagall banking separation in every country; and the need for Europe, the United States and Australia to stop driving towards a world war, and join with the BRICS nations for economic development. The magazine pamphlets we produced in 2014 (**above left and centre**) are being disseminated not only in Australia but, as I said, also in the UK.

Before we move into the panels proper, we want to bring to our conference a musical contribution, a musical offering, by the CEC Chorus. It’s also a tribute to the late Malcolm Fraser, because Malcolm Fraser had hoped to attend our conference to deliver an opening address to it, and also to Helga Zepp-LaRouche as the founder of the Schiller Institute. The piece we want to sing for you is the “Ode to Joy” (“*An Die Freude*”), and it is a Schiller/Beethoven composition.



CEC members sing a choral tribute to the late Malcolm Fraser and welcome to Schiller Institute chairman Helga Zepp-LaRouche, 28 March 2014.

Farewell Malcolm Fraser (1930–2015), Champion of Sovereignty and Peace

Robert Barwick

CEC Executive Member

Craig Isherwood: *It's a sad occasion when we lose a great statesman like Malcolm Fraser. We've had quite a bit to do with Mr Fraser over the last couple of years. He has featured in some of our New Citizens, as you've seen, and we thought we would take this time to pay another tribute to him at our conference; and I'd like to ask Robert Barwick to come forward and pay that tribute.*

Robert Barwick: Today we pause to pay tribute to Malcolm Fraser, a true statesman lost to Australia and the world on 20 March.

When Gabrielle Peut and I briefed him last November [2014], on our plans for this conference, to discuss how the BRICS nations' commitment to economic development offers a new financial architecture that finally gives the world a chance for lasting peace, he immediately wanted to participate.

Malcolm Fraser was passionately committed to peace and economic development. For a generation of Australians, this seems contradictory to his role as the Minister for the Army during the Vietnam War. Mr Fraser never tried to justify himself, but he also never sought to hide behind the wisdom of hindsight. He explained that Australia's involvement in Vietnam was a product of the Cold War, when he and the rest of the government viewed the Soviet Union as expansionary, and a threat to world peace which had to be opposed. It was only later that he came to



CEC National Executive Member Gabrielle Peut with former Prime Minister Malcolm Fraser in 2013.

understand the situation differently, and thus regard Vietnam as a folly.

However, he saw the position he took then, based on his understanding of the situation at the time, as consistent with the position he held up to the day he died: that following the end of the Cold War, the expansion of NATO became the greatest threat to world peace, and therefore had to be opposed. Unlike Vietnam, Mr Fraser never changed his mind on this; the events in Ukraine in the last year only confirmed his view, prompting him to speak out.

The CEC forged a relationship with Malcolm Fraser based on our shared opposition to the dangerous US Ballistic Missile Defense program, targeting Russia and China for pre-emptive nuclear attack. Even before we first met, we published his warnings in our Oct.–Dec. 2012 *New Citizen* newspaper headlined “Act Now! Stop Nuclear War! Join Lyndon LaRouche, Malcolm Fraser to promote peace; expose High White, Michael Danby and the push for war!” Mr Fraser saw with absolute clarity that Australia was complicit in the Anglo-American strategy that is pushing the world towards a thermonuclear war in which Australia would be a target.

CEC National Secretary Craig Isherwood and I first met Mr Fraser in January 2013, to discuss our fight against this war strategy. It was a productive



The Oct.–Dec. 2012 *New Citizen* highlighted Malcolm Fraser's warnings about the U.S. Ballistic Missile Defence program that targets Russia and China for pre-emptive nuclear attack.

discussion, but that meeting was remarkable for the other profound issues on which we found we shared a deep agreement.

It's interesting that the CEC enjoyed similar collaborative relationships with other former political leaders of Malcolm Fraser's generation, before they passed away. These included the former Deputy Prime Minister of Australia Jim Cairns, and the former Minister for Labour Clyde Cameron, both in the Whitlam government that Mr Fraser was involved in dismissing. That the CEC found common ground with such political leaders from opposing ends of the political spectrum, reflects, I'm sure, many things, but among them is the cultural paradigm shift that has taken place among the generations that have followed. These men shared a cultural optimism about humanity, Australia, and the potential for development, that has been almost completely eradicated from political life in Australia, where the political elite now shamelessly dance to a foreign-dictated tune of right-wing economic and strategic policies, and anti-human, pessimistic environmentalism, which portend disaster for our nation. The CEC is unique among Australian political parties in seeking to revive the cultural optimism that these statesmen shared.

In that first meeting, Mr Fraser declared, emphatically, that Australia's greatest problem was that it was not a sovereign nation. This, of course, has been the CEC's theme for more than 20 years; indeed the titles of our first two major policy programs, published in the early 1990s, which named the CEC's primary political objective, were *Sovereign Australia*, and *Sovereign Australia II*. Craig was able to recount to Mr Fraser his conversation with Lyndon LaRouche in prison, in 1993, when Mr LaRouche observed that Australians did not understand the difference between autonomy, and sovereignty, and that Australia's problem was that it had autonomy, but not sovereignty.

Mr Fraser also voiced his views on the financial crisis, declaring, "Repealing Glass-Steagall was the stupidest thing they ever did." He offered to participate in the international campaign to restore Glass-Steagall, on which we briefed him. Later that year he wrote to a U.S. Senator to express his support for the Glass-Steagall legislation then in the Senate, and of course last year he made his own submission to the Australian Financial System Inquiry, calling for a full Glass-Steagall separation of the Australian banking system. When *The Australian* newspaper reported his submission incorrectly, as a call for ring-fencing, Mr Fraser wrote a letter to the editor clarifying that he wasn't calling for ring-fencing, but the full Glass-Steagall separation in place in the U.S. from 1933 to 1999.



The CEC's first policy documents, published in 1990 and 1996, emphasised that true sovereignty, not merely autonomy from the British Crown, is the starting point for real economic development.

Malcolm Fraser's views on the financial system were consistent with his personal opposition to the radical deregulation agenda that banks, financial markets and Mont Pelerin Society think tanks started pushing when he was prime minister. As a leader of the Liberal Party, Mr Fraser ardently supported the principle of free enterprise, but, again reflecting his generation's outlook, he believed in the institution of the nation-state, and the important role of national governments in giving direction to the nation, including economically. It was later revealed that the economic neo-liberals among his party used to meet in secret to plot how they would infiltrate their ideas into the party, so fearful were they that if then-Prime Minister Fraser got wind of their intention, he would stop them in their tracks. It is notable that the era of radical deregulation that followed the Fraser years has been called the "post-1983 consensus on economic reform", i.e. post-Fraser, who never held to the consensus.

Finally in that first meeting, Malcolm Fraser shared his personal vision for Australia to grow its population to 50 million people. He told us he didn't understand the mentality of Australians who hold the view that Australia is overpopulated. In fact, he shared the CEC's optimism, that Australia has the resources and skills to develop the continent with water projects and other infrastructure, to support a large population.

From this first meeting, the CEC entered into a productive collaboration with Malcolm Fraser on these issues of global importance. A good example of that collaboration was the way he sprang into action a year ago when I briefed him on the neo-Nazi uprising in Ukraine. He penned an op-ed for *The Guardian* newspaper in which he placed the blame for the crisis squarely on the aggressive eastward expansion of NATO against the spirit of the undertaking given

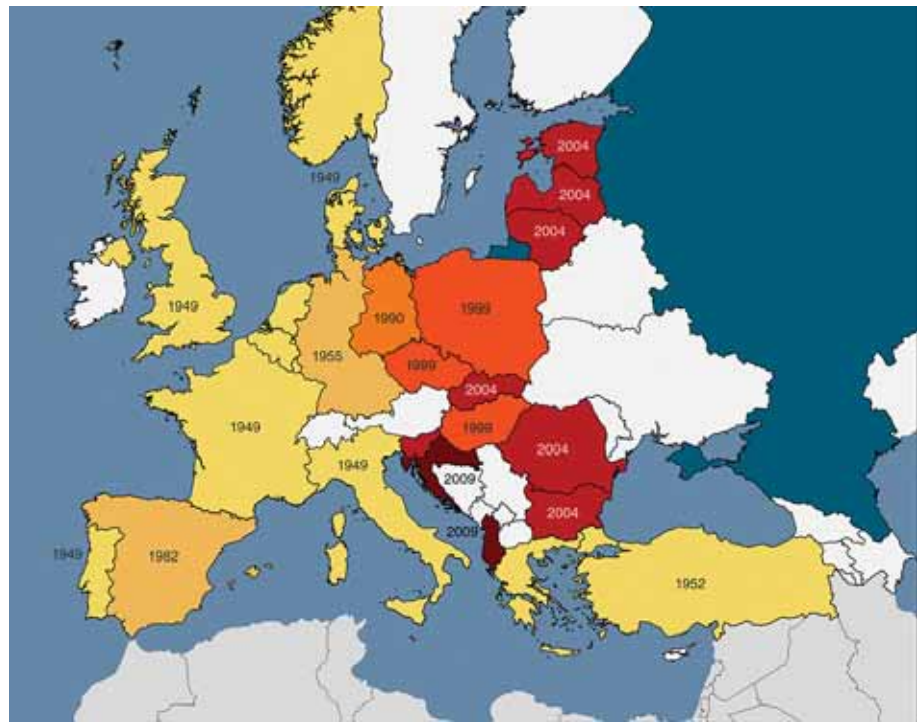
to Gorbachev following the end of the Soviet Union. A few days later he gave an interview to *Russia Today*, elaborating his view; all of which, coming from a well-known western statesman and Cold War warrior, constituted an effective intervention.

Mr Fraser often spoke of his friend, former West German Chancellor Helmut Schmidt, with whom he stayed in touch and who shared his views on the Anglo-American aggression towards Russia. A few weeks ago, Helmut Schmidt made a similar intervention into the present crisis as his great Australian mate, an important addition to the chorus of voices speaking out for peace.

In conclusion I would like to read a statement Mr Fraser wrote in October last year, as a greeting to the Schiller Institute conference that Helga Zepp-LaRouche hosted in Germany, on a similar theme to our conference this weekend. I'm sure if Mr Fraser had have made it to the conference this weekend, to be able to greet Mrs LaRouche and all of you in person, he would have conveyed a similar message. Malcolm Fraser wrote:

"I wish you well in your deliberations. We desperately need a more cooperative and more inclusive world. The West needs to be prepared to recognise, and also to accept, the consequences of past grievous errors. The move of NATO eastwards was giving notice that the West did not want Russia as a collaborative partner, but rather as a defeated foe still to be marginalised. It is not surprising that NATO's move has led to a cool or even to a sour relationship between the United States, NATO and the former Soviet Union. They virtually made a cooperative relationship impossible.

"Other Western initiatives have generally ended in failure. The Gulf War to free Kuwait was an overwhelming success, but the possibilities that could have flowed from that war, where 31 nations participated with troops on the ground, were thrown aside by policies of the neo-conservatives and their ideas of American exceptionalism and manifest destiny. In



Malcolm Fraser placed the blame for the Ukraine crisis squarely on the aggressive eastward expansion of NATO, against the spirit of the undertaking given to Soviet President Mikhail Gorbachov in 1990. Soviet leaders believed the statements made then by German Foreign Minister Hans-Dietrich Genscher, U.S. Secretary of State James Baker III, and others, that the eastern part of a reunified Germany (let alone Soviet then-allies in Eastern Europe) would not be in the Cold War military bloc. But Germany's 1990 reunification did include full entry of its East into NATO, and in 1999 NATO escalated its expansion by admitting former Soviet allies Hungary, Poland and the Czech Republic, followed by additional new members during the George W. Bush and Barack Obama U.S. Presidencies.

that vision, whatever America did was right, because America did it. The 2nd War in Iraq was an unmitigated disaster, predicably unleashing sectarian violence which has engulfed, and still plagues, the whole region.

"The West has begun a new war against Islamic State in Iraq and Syria, without the means to complete that war or to achieve peace. We need a new and more open inclusive society, where others can participate in making the rules that affect everyone. We have a Monetary Fund and a World Bank, dominated by American and Western interests; it is not surprising that there are now moves to sidestep these institutions and create alternatives.

"There is an option and that is for the most powerful Western nations to realise that there have been great changes in the world, that the strategic context has altered, that other powers such as the BRICS are emerging and that the West should collaborate with them as partners to establish a more equal and a more just world."

I now ask that everyone pause for a moment's silence, in honour of a true statesman who fought to his last for his vision of a just world, in which sovereign nations, collaborating on economic development, can enjoy peace and prosperity.

The World Land-Bridge: It's Being Built!



Keynote: A New Model of Relations among Nations

Helga Zepp-LaRouche

Founder and Chairman of the Schiller Institute

Craig Isherwood: *I would now like to introduce to our conference our keynote speaker, Mrs Helga Zepp-LaRouche, addressing us by video-link from the United States.*

Mrs LaRouche is the founder and chairman of the international Schiller Institute and also leads the Civil Rights Movement-Solidarity, her political party in Germany. She is one of the world's leading authorities on Friedrich Schiller and on Nicholas of Cusa, the man who contributed more than anyone else to the launching of the European Renaissance of the 15th century. Her scientific work extends from the German classical period to the humanist tradition of universal history, and Confucianism.

Mrs LaRouche, as a young freelance journalist in the 1970s, was one of the first European journalists to spend several months travelling throughout China at the high point of the Cultural Revolution. More than two decades later in 1996 she spoke at one of the seminal conferences held in China on building what was then being called the new Euro-Asia Continental Bridge. Mrs LaRouche has since become widely known there as the Silk Road Lady for her advocacy of that Eurasian Land-Bridge as a cornerstone of China's development and a pathway to world peace.

Helga and her husband Lyndon LaRouche, over nearly 40 years, have together pursued political activities in many Asian nations, Europe, Latin America and practically all the states of the United States. She has met with numerous political leaders including Indian Prime Minister Indira Gandhi and Mexican President Jose Lopez Portillo.



CEC National Secretary Craig Isherwood introduces Schiller Institute founder Helga Zepp-LaRouche, 28 March 2015.

Given that today we are witnessing a new paradigm shift in global affairs with the formations around the BRICS countries, which of course includes China, we are very pleased to be able to welcome Mrs LaRouche to address our conference this morning. Please welcome Mrs LaRouche.

Helga Zepp-LaRouche: Ladies and gentlemen, I am extremely happy to be able to address you electronically from the United States, because I think right now, every thinking human being somehow feels that mankind has reached a point in history which would be called by the great poet of freedom, Friedrich Schiller, for whom, after all, the Schiller Institute is called, a true *punctum saliens*. Schiller gave this notion of a *punctum saliens* to that moment in a classical drama when a certain story comes to a point of exhaustion, and a decision is required. Everything depends on that moment: whether the main actor has the morality, wisdom and the vision, to be able to leave the axiom of that story which brought about the point of crisis; and if they can leave the old habits, the old axioms behind, and put a new vision on the table and realise that. If the actors on the stage are moral people who have the wisdom to do so, then history goes into a more positive, more optimistic phase. If the key actors don't have that in themselves, then this drama ends as a tragedy. And I think that in history we are exactly at such a point, and it is not yet decided whether this present situation will go into a new renaissance, into a new, just, world economic order, or if it plunges into a dark age, or even worse than that.

Because right now we have two existential crises. One is that the signs are accumulating that we are in front of a new blowout of the financial system, whereby the crash around Lehman Brothers in 2008 would only look like a little hiccup, because we have a banking crisis about to erode, which could bring down and evaporate the entire financial system. But, naturally, even more existential for the existence of mankind is the fact that we are extremely close to the danger of a global thermonuclear war. And if people knew how close this is, I can assure you people would not sleep well.

I could add other aspects—the cultural crisis, the absolute, unbelievable degeneracy of the culture which goes along with the so-called globalisation, and the lack of trust in politics which you see in the entire so-called western world, and many other such things. All of this means, I think, that we have only one chance to overcome this present crisis. That is, we need a fundamental change in the axiomatic basis of everything. We need a new paradigm, and I think that that new paradigm must be all-inclusive, it must be something completely new, something which has not existed in history before. But, there is a comparison, and that is the transformation from the Middle Ages to modern times, because, if you remember, the 14th century was a dark age. You had witch-burning, you had flagellants, you had the Black Death, you had the scholastics, you had the Aristotelianism in the universities, and all of that meant that society had

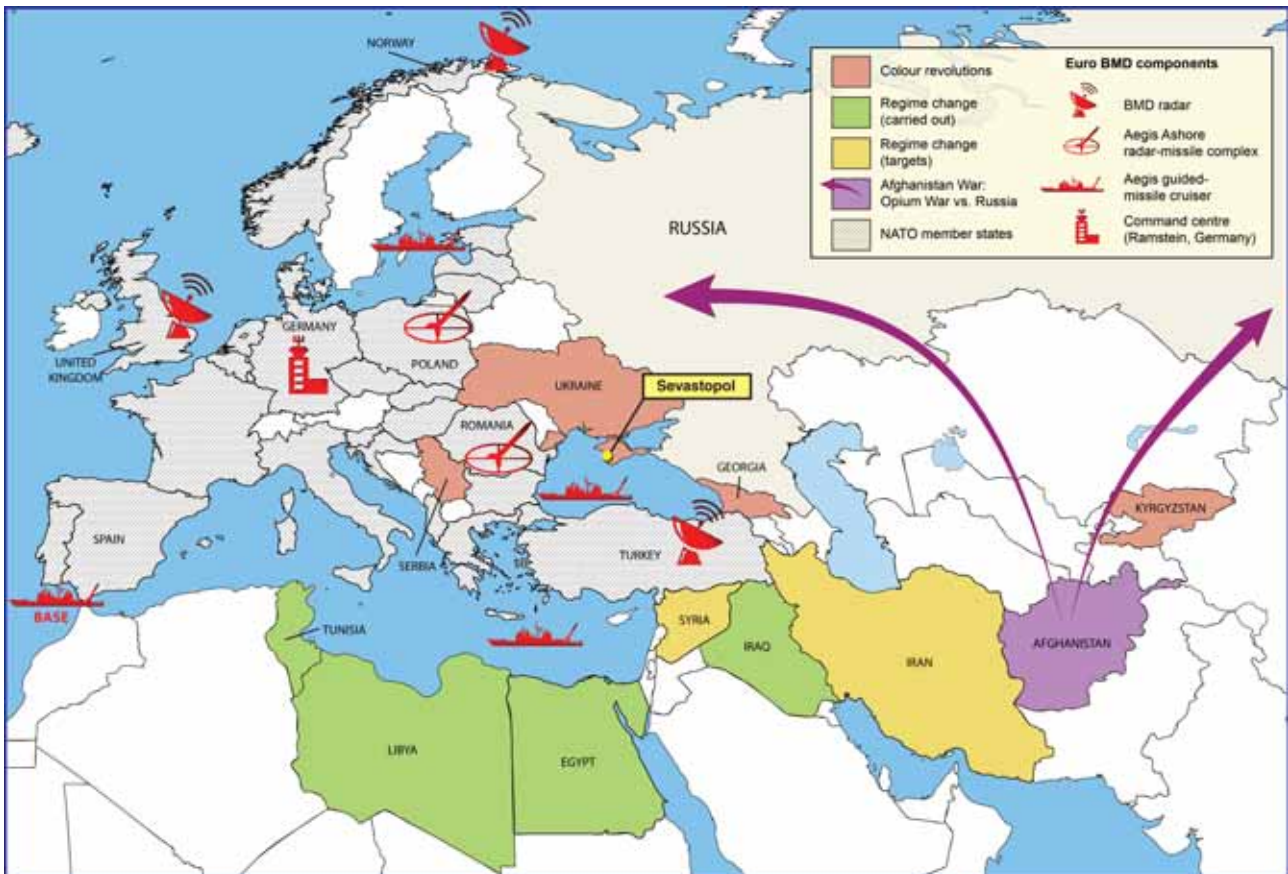
reached a dead end, a dark age. And it was especially the ideas of Nicholas of Cusa, who then laid the foundations for everything which we associate with the modern times: modern natural science, great classical art, and the whole idea of modern man, of the individual, the role of the individual in society, human creativity. All of that came only after the Italian Renaissance, as a generally accessible phenomenon. We need a new paradigm shift exactly like that, or even bigger. That is on the horizon.

Rid Mankind of “Globalisation”

The old paradigm which we absolutely have to get rid of, you can say starts with what we call, generally, globalisation. Because globalisation is really only another word for the Anglo-American-dominated financial system which expanded after the collapse of the Soviet Union; and which accelerated after the repeal of the banking separation of Glass-Steagall in 1999, where you had this absolute unlimited, unbridled speculation, where the rich became richer, the poor became poorer, and that system is basically now all dominant in the western world, in the trans-Atlantic sector.

Along with this globalisation, you had the Project for the New American Century doctrine, which was the idea that, with the collapse of the Soviet Union, there would be only one superpower left and that superpower would, based on the special relationship with Great Britain, turn the world into an empire. And, obviously, that is the reason why we are right now on the verge of World War III. So that has to go, but also the alternative of a so-called “multipolar” world, is no good because that also has the danger that geopolitical conflicts will erupt between one group of nations and another group of nations.

If you look at what happened at the end of the Soviet Union, when basically the Project for the New American Century doctrine became the basis for the eastward expansion of NATO, this was the idea of not keeping the promise which had been made to Soviet President Mikhail Gorbachov and West German Chancellor Helmut Kohl and Foreign Minister Hans-Dietrich Genscher at the time, and which former American Ambassador Jack Matlock just reiterated; there was a promise not to expand NATO to the borders of Russia. That was violated. You had first Poland, Hungary, and then, in the second wave, more East European countries. And now, you have a situation where the troops of NATO are directly at the Russian border, in the Baltic states, in Poland, in Ukraine, and there is now even a motion to include Georgia and Ukraine into NATO, something which is completely unacceptable for Russian security interests.



Colour revolutions overthrew the governments of Serbia, Georgia, Ukraine, and Kyrgyzstan, on Russia's southern borders. The regime changes of the Persian Gulf wars (Iraq), the 2011 Arab Spring, and the foreign-backed Syrian insurgency have included attacks on Russia's allies and economic partners. Shown in Western and Central Europe and the surrounding seas is the U.S.-NATO European Ballistic Missile Defence System, identified by Russia as a threat to its sovereignty and a tripwire for war.

What went along with that, is regime change of all governments that would oppose such a globalisation, such a world empire, and also a colour revolution, using NGOs financed by western institutions, to topple these governments. Both Russia and China have declared that they regard colour revolution as a form of warfare, even if it's not military war, aimed to topple governments. Obviously, the real aim of all of this is to have regime change in Moscow and in Beijing. And that will not happen.

But, along with this change went the transformation of NATO from mutual assured destruction, which was the idea that you cannot use nuclear weapons, to the idea that you *can* win a nuclear first strike. Presently we have a situation where all of the military doctrines of NATO and the U.S., and the EU de facto, are based on a first strike. This is the global U.S. missile defence system, it's the Prompt Global Strike doctrine, and it is the Air-Sea Battle doctrine against China.

Both Russia and China have made crystal-clear that they have taken measures. If you listen to what President Putin declared over the Christmas [2014] period, the update of the Russian military doctrine, and if you look at what China has published many

times, it is very clear that these two nuclear powers are completely prepared not to capitulate, but to work against a nuclear first strike. Russia has said that, if need be, they will use nuclear weapons themselves, to prevent such a policy.

I don't want to elaborate this much more, but I would urge people: Please read the relevant articles, become aware of how close we are to WWII, because the most shocking about this is that, when you had the Cuba crisis or when you had the intermediate-range missile crisis in the beginning of the '80s, people were talking about it and they were protesting in the streets; they were discussing what would happen if nuclear weapons would ever be used. Now we are much, much closer than ever before in history to the complete annihilation of mankind, and nobody talks about it, or almost nobody, and that has to urgently change.

The second crisis, and it is immediately related to that, is that the too-big-to-fail banks are completely overextended in the derivatives markets. Most of these banks are 40 or more per cent larger than in 2008. The BIS, the Bank for International Settlements, just published figures that the indebtedness of these big banks is \$600 trillion overextended in the



The Greek government led by Prime Minister Alexis Tsipras (above), a coalition of his Syriza party with the Independent Greeks, has rejected austerity and is threatening that Greece will leave the euro.

derivatives markets. Our estimate is that that figure must be doubled. Eighty per cent of these derivatives concern interest rates. The Federal Reserve is trying to get out of quantitative easing, because they have pumped money and they have now let the ECB and Japan do that; if they intend to go for even a slight interest rate increase, the danger is that this will then evaporate and lead to a chain reaction collapse of the whole system.

Now, the problem with derivatives is that people say you need derivatives. This is complete bunk. We don't need derivatives; actually they don't exist, and the proof that they don't exist, is that at the moment you call them in, you will realise they were virtual the whole time. The danger is if that happens, then the whole system will evaporate completely.

The same thing could happen over the crisis of the euro, because the Troika austerity policy, which has turned all of southern Europe—Greece, Italy, Spain, Portugal—into totally collapsing economies, shrinking them by one-third, increasing the death rate, causing misery in these countries, has now found an answer in Greece. The Syriza government, in a coalition with the Independent Greeks, has rejected this policy, and now the battle between the ECB, the EU Commission and the German government, and the Greek government, has reached the point where you could see either the chaotic “Grexit” of Greece, or you could see a capitulation on the side of the ECB, which I don't think would happen, where they would lower the austerity conditions and that, in each case, would then lead to the end of the euro, which, if it is disorderly, could have the same effect as a derivative blowout, namely bringing the whole banking system down.

BRICS Builds Real Economic Alternative

I am just touching on these things, because this is the background to why the AIIB, the new Asian

Infrastructure Investment Bank of China, had become so extremely attractive. Xi Jinping's announcing the revival of the New Silk Road, in the tradition of the ancient Silk Road, in September 2013 in Kazakhstan, was followed then by the announcement of plans to rebuild the Maritime Silk Road, and then last year in Brazil the BRICS countries formed a new alliance. The next day they added the Latin American countries, and in the meantime they have had many conferences of ASEAN, and they have new deals with many countries in Africa. What has emerged in the last one and a half years, unbeknownst to the western media who are completely

blocking this out, is a real economic alternative. These countries are engaged in projects that are unbelievable. They are building a new Nicaragua Canal, a second Panama Canal. China is helping Brazil, Ecuador, Bolivia, Chile and Peru to build a trans-continental railway across Latin America. They are cooperating in nuclear research, in nuclear energy production, in joint space projects, and numerous other projects, water projects, greening the desert, new industrialisation for many third world countries. Many fantastic projects, which have been on the shelf for years, are now being realised. **(The map on page 16, first published in EIR's 2014 special report *The New Silk Road Becomes the World Land-Bridge*, combines China's announced Silk Road plans with a programmatic design for all continents.)**

And they have created a banking system. It's not just the AIIB; it's the New Development Bank of BRICS, the Shanghai Cooperation Bank is being built, the SAC Bank—the bank for the South Asian countries, the new Silk Road Development Fund, the Maritime Silk Road Fund. All of these banks are not any longer a part of the casino economy, but they are there to fund real investment, and that has become much more attractive, especially in light of the pending collapse of the financial system of the trans-Atlantic sector.

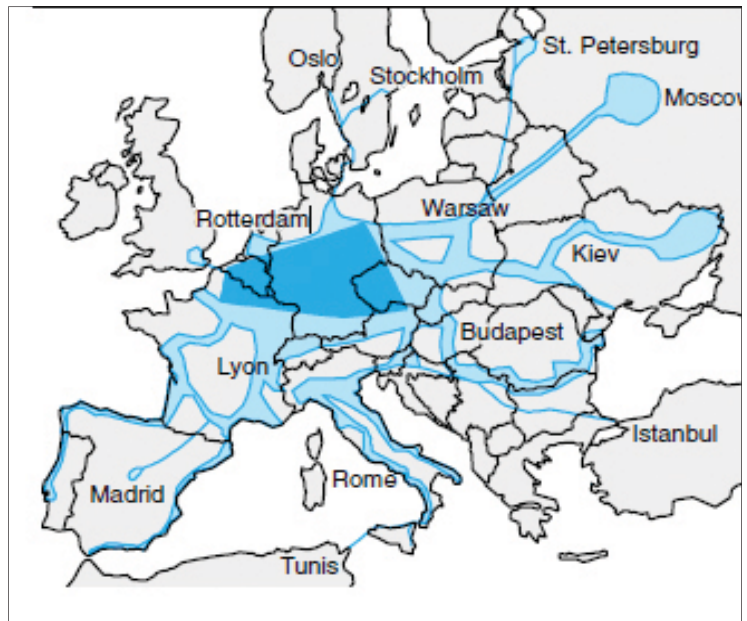
The United States made enormous pressure for these countries not to join the AIIB, but as Craig Isherwood mentioned earlier, starting with Great Britain, in the last week seven European countries joined as founding members: Great Britain, Germany, France, Italy, Luxembourg, Austria and Switzerland. And also some Asian countries joined, namely Turkey, South Korea, and, as I heard last, Australia has still not decided and Canada also not.

The fact that these European countries have basically

told the United States to leave them alone, that they would cooperate with this new financial institution, has caused the Obama administration to go completely haywire. *Le Figaro*, a French newspaper, compared this to a little Pearl Harbour. They said it was complete stupidity to turn something that was supposed to be a regional infrastructure bank, into a showdown between the United States and China, and then lose it. The *Financial Times* said that this is complete folly, they should not say that the World Bank has such a high standard, because look at what the World Bank did in financing Mobutu in Zaire. This is not such a great record. *The Wall Street Journal* had a lying article, saying China had to give up its veto power so that the other countries would join, which is a complete lie, because China made clear from the beginning that they want to build this bank on a consensus of all participating countries and not on the veto power of one.

The French ambassador to China, Maurice Gourdault-Montagne, said this is a strategic vision for the future, which France will absolutely be a part of. There are presently tons of articles which say that this is completely stupid, and ask why Obama did this, and say he is now isolated.

So, this is really good news. We are especially happy about this because, as Robbie Barwick mentioned and I think Craig Isherwood also, this is really our baby. When the Soviet Union collapsed, or even before, when the Berlin Wall came down in 1989, we immediately proposed what we called the Productive Triangle, which was the idea of unifying the territory between Paris, Berlin and Vienna, which is a triangle

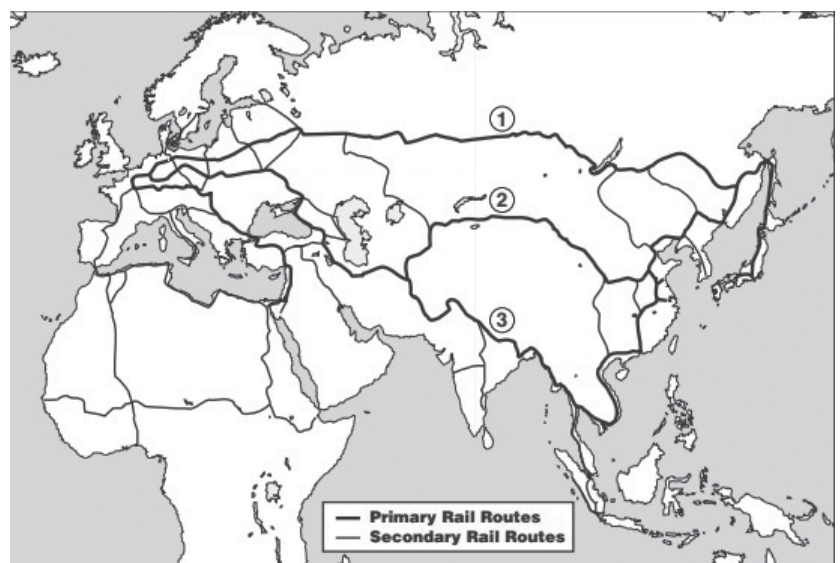


The Schiller Institute's Productive Triangle program called to unify the highly developed machine-tool region between Paris, Berlin and Vienna (dark blue), a triangle the size of Japan, then expand industrial development to the East through development corridors.

the size of Japan, and then expanding development into the East through development corridors. And when the Soviet Union collapsed in 1991, we immediately extended that to become the Eurasian Land-Bridge, to connect the population and industrial centres of Europe with those of Asia, and not only have economic integration that way, but have a peace order for the 21st century.

We have campaigned since that time, and held literally hundreds of conferences and seminars, and so we were extremely happy when President Xi Jinping announced the New Silk Road, almost two years ago. This is now becoming the real alternative.

Naturally, people have trouble with that because they say, "Yes, but is that not the same thing as U.S.



Helga LaRouche calls China's new Silk Road concept "our baby." *EIR* magazine, founded by her husband Lyndon LaRouche, has championed the Eurasian Land-Bridge concept since the early 1990s, publishing detailed maps of infrastructure corridors connecting Europe to Asia along the ancient Silk Roads. The maps on pages 14 and 16 show updates made in 1997 and 2014.

imperialism before? Does China now, as a rising power, not have evil imperial designs? Are they not planning to take over the world?" Well, as was mentioned, I had the luck to be in China in 1971. That was during the height of the Cultural Revolution, and I can assure you the people of China were extremely distraught. They were unhappy; they felt harassed by the Red Guards, who would take them out of bed in the night, and throw them into prison. All the beautiful buildings in Beijing were painted over with the colour red, so this was terrible.

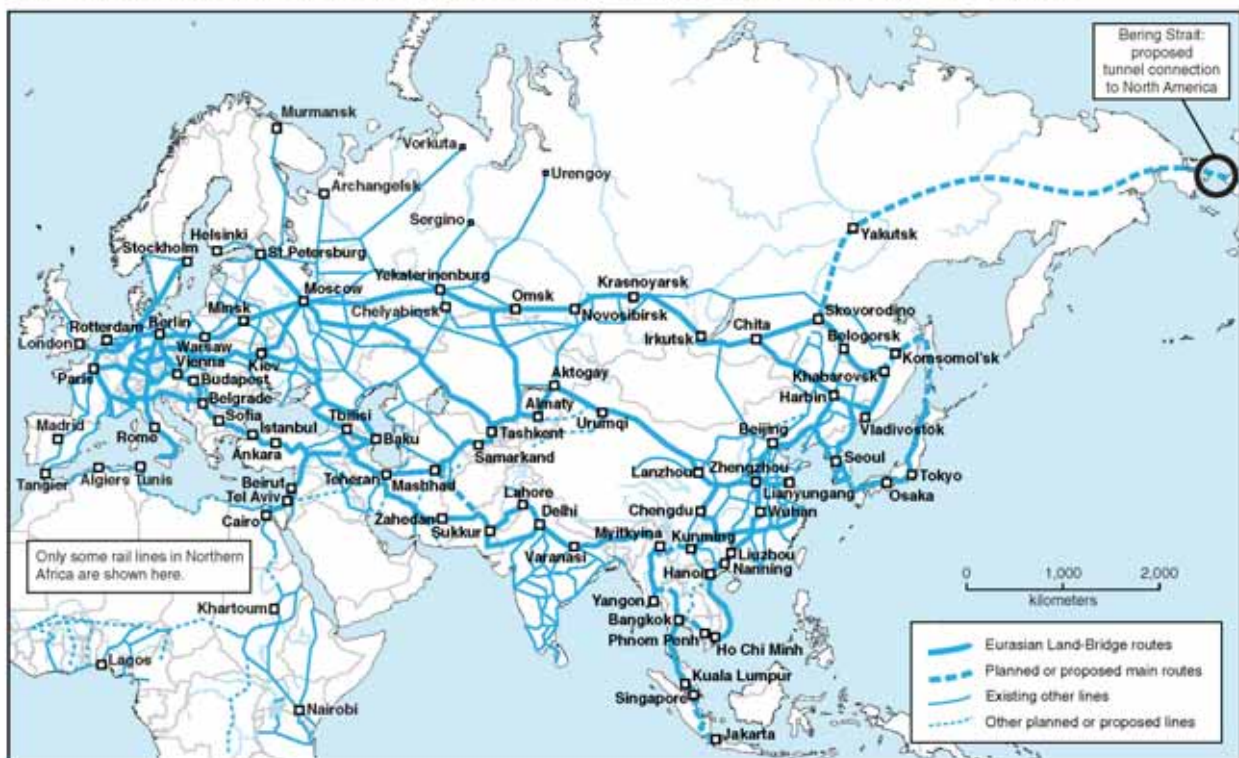
When I went back to China for the first time after 25 years, with the idea of the Eurasian Land-Bridge/ New Silk Road, the country had completely transformed. People were happy, they were optimistic. When I recently went back, last year, when I went to China two times, I can assure you that the mood of the population had completely changed. For me, on the question whether a government is good or bad, there is a very good litmus test, and that is whether the people are happy. And the people right now are optimistic; they say China has undergone an economic development which most industrialised nations needed a hundred years, 150 years, or longer to achieve, and the Chinese economic miracle is a model, which we now want to give to all countries who want to participate in the New Silk Road, and this will be a win-win policy, where everybody will benefit and it will not be the interest of only one.

The Philosophical Principles of BRICS

Now, I want to look briefly at the philosophical principles on which the BRICS countries are built, because I know that people in Europe or the United States, and probably also Australia, are so used to being governed by oligarchs, by countries, by governments which have not the common good in their interest, but the interest of a privileged class, so that we cannot imagine that there are governments that are ruled by completely different principles. But look at Narendra Modi, the new Prime Minister of India, although he is not that new anymore, but relatively. He said the BRICS countries are the first alliance in history, which is not governed by the present capacities, but by their potential of the future. And India has a great potential in its youth, 60 per cent are younger than 30 years, and when these people are educated well, they will be the greatest gift of India for all the other nations that have demographic problems, because we can send nurses, doctors, and scientists around the world, and help these other countries to develop.

Xi Jinping made many beautiful speeches which you can read, and also Modi's speeches, and I advise you to do so. He said that China's intention is to realise the Chinese dream, a vision of a beautiful future. He said we have an obligation and a dream for mankind which we have to fulfil. For that we need trust and unity. The old methods are not suitable for the 21st century. Each country represents a small light,

Eurasia: Main Routes and Selected Secondary Routes of the Eurasian Land-Bridge



This map appeared in *EIR's* 1997 report *The Eurasian Land-Bridge: The "New Silk Road"—Locomotive for Worldwide Economic Development*.

but if you bring them together, we brighten up the nightly sky.

Remember that China is one of the greatest of human civilisations, and it is more than 5,000 years old. It had several periods of high culture, and several periods in history when China was the most advanced country in the world. That actually lasted until the 15th century, when Europe, through the Italian Renaissance, started to pass ahead. But, for example, during the Han Dynasty [206 BC–AD 220], China was the place where new technologies were invented: silk-making, porcelain-making, book-printing and many other things that were exchanged over the ancient Silk Road. They were extremely advanced in astronomy. When Leibniz, who lived from 1646 to 1716, was acquainted with China, he became totally fascinated, and he said that, especially in Europe after the 30 Years War which had destroyed Europe by half, and in light of the increasing moral decadence, it seemed almost necessary that the Chinese send missionaries to Europe so that they could teach us the practice of natural theology. He said, “I believe that if a wise man be made the judge, not on the beauty of goddesses, but on the excellence of peoples”, he would give the golden apple to the Chinese.

Leibniz was also extremely excited about the fact that the Emperor Kangxi, who was a contemporary, came to the same mathematical conclusions as he, Leibniz. He concluded from that, that if in Germany and in China you can come to the same universal conceptions, then there must be a universal truth which is applicable and knowable for all of mankind. This was obviously very important.

Leibniz also thought that the best way to develop the world would be that the advanced European cul-



German mathematician and philosopher Gottfried Wilhelm von Leibniz (l.), 1646–1716, praised China’s advanced culture. The concepts of Chinese philosopher Confucius (r.), who lived 551–479 BC, about love and development are the cornerstones of Chinese culture.

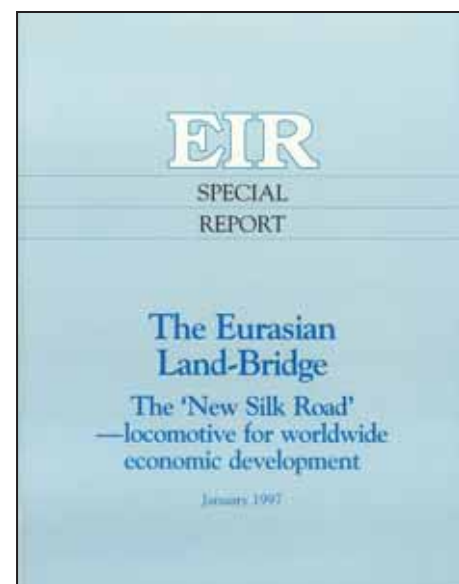
ture shake hands with China and develop the region in between. That is exactly what is happening today.

The Confucian System

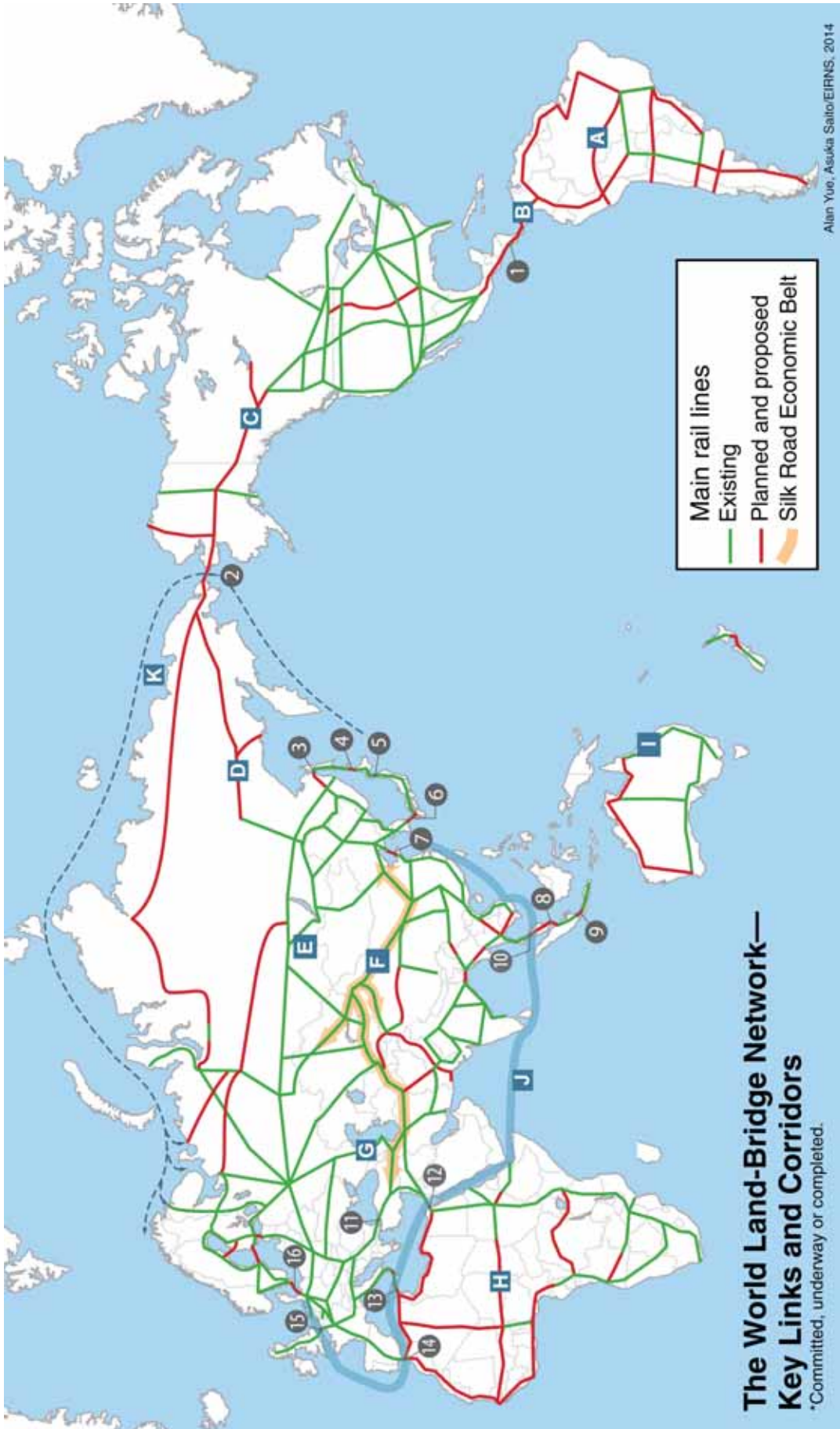
China today is much more Confucian than Communist. The Chinese communist always had Chinese characteristics, and China never really got rid of Confucianism, despite the fact that during the Cultural Revolution there was an explicit attempt to destroy Confucianism. But China has completely swung back.

Confucius developed a system, which has been in the Chinese culture for 2,500 years. He lived from 551–479 BC, and tried to find a solution for a period of utmost chaos, war and destruction. He wanted to bring order and harmony to the political situation, so he pursued mainly five principles: human development, justice, morality, wisdom and reliability.

He said, “If one rules with decrees and laws and punishment, the people may omit what is forbidden, but they will not have a sense of shamefulness. But if



Helga LaRouche addressed the 1996 conference on the Eurasian Land-Bridge in Beijing, becoming known as “the Silk Road Lady.” The *EIR* special report shown at right reported the proceedings of that conference to readers worldwide.



The World Land-Bridge Network—Key Links and Corridors

*Committed, underway or completed.

LINKS

- 1 *Great Inter-Oceanic Canal, Nicaragua
- 2 Bering Strait Tunnel
- 3 Sakhalin Island-Mainland (Russia) Connection
- 4 Sakhalin-Hokkaido Tunnel
- 5 *Seikan Tunnel
- 6 Japan-Korea Undersea Tunnel
- 7 *Bohai Tunnel
- 8 Strait of Malacca Bridge
- 9 Sunda Strait Bridge
- 10 Isthmus of Kra Canal
- 11 *Bosporus Strait Rail Tunnel
- 12 *Suez Canal Expansion
- 13 Italy-Tunisia Link
- 14 Strait of Gibraltar Tunnel
- 15 *English Channel Tunnel
- 16 *Scandinavian-Continental Links

CORRIDORS

- A *Peru-Brazil Transcontinental Railway
- B Darien Gap Inter-American Railway
- C Alaska-Canada-Lower 48 Rail Line
- D The Bering Strait Connector
- E Trans-Siberian Corridors
- F *Silk Road Economic Belt
- G *International North-South Transport Corridor

*Cross Africa Rail Lines

- H Australia Ring Railway
- I *Maritime Silk Road
- J *Northern Sea Route

Note: Geographical locations and corridors are shown schematically, with more than one railway combined as a single line in cases where major routes are parallel and in proximity.

Alan Yue, Asuka Saito/EIRNS, 2014

the people are following morality and ethical behaviour, not only will they have shamefulness, but they will strive for perfection.” He also assumed, which was already previously in Chinese philosophy, that government had to have the mandate of the heavens, that they had the task to create harmony based on unity and promoting science, progress, and the common good for the people. And if the government lost the mandate of heaven because of bad government, then it would be the task of the so-called *junzi*, the noble people, to replace it and overcome the destruction of the state.

Confucius thought that there are four kinds of people: those who are born knowledgeable, and he did not regard himself as one of those people; second, those who acquire knowledge through learning. He thought that he belonged to that group. Those who only start to learn when they run into difficulties; and the fourth, who refuse to learn for their entire life.

He put the challenge to people, that it is morally important to improve yourself, and that people should be valued for, first, their characteristic moral qualities, and not for their social position or wealth. He called those who are striving for knowledge and perfection *junzi* and those who are bad, the *xiaoren*. He also said that in the first group you have people who are knowledgeable and good; you have, secondly, people who are knowledgeable and bad; you have, third, people who are stupid but have a good heart; and, fourth, you have people who are both stupid and evil. Now you find many of such people around today.

He said that the aim of education is not to learn facts, but to develop character and creativity. That is exactly what Friedrich Schiller and Wilhelm von Humboldt also defined as the aim of education: a beautiful character and a beautiful soul. He also wanted people to learn from paradoxes, because he wanted people not just to learn like monkeys or dogs, but he wanted to evoke a desire, a passion for learning, and thoughtfulness, not teaching dogma, but the struggle for truth; and the most perfect people are the truth-seeking people, because these are the only people who have the potential to become geniuses.

He also said that beautiful music is extremely important for the well-being of the state, and great music strengthens the harmony in the Universe. Beautiful songs elevate man, but destructive music destroys the state, and one can recognise the quality of the state by the music which is performed. If you apply that Confucian principle to Europe, to the United States, and, I'm afraid, also to Australia, then that gives you a very bad picture.

The two most fundamental conceptions of Confucianism are, on the one side, *ren*, which means benevolent government, which Confucius says means to love people. In Christian philosophy it is called *agape*, which



China's CCTV station interviewed Helga LaRouche on 14 April 2014, as the "New Silk Road Lady"

means that politics has to be based on love. That was also the idea of the Peace of Westphalia: that you have to act in the interest of the other, if you want to have peace.

The second, equally important principle of Confucianism is *li*. *Li* means that each person and each thing must take its place in the Universe, and develop in the best possible way, and if all people and all things do that, and develop the potential which is embedded in them, then you have harmony in the system.

That is exactly what Xi Jinping means, when he says we have to have a "win-win" policy. The new paradigm, therefore, must assume one humanity, the common interest of the human species as it is defined by the ontological order of the physical order of creation, of the physical Universe, or the Cosmos, as the Indians would say.

All order is in the multiplicity, based on the higher principle of the power of the Oneness which is unfolding in a contrapuntal fugue. This is the idea of Nicholas of Cusa.

Chinese Foreign Minister Wang Yi recently said that the new Silk Road nations must work together like instruments in a symphony, where not just one instrument plays one melody, but they all play together. I am adding that this symphony or orchestra is not just playing one chord, or a series of chords, but they are unfolding together the whole composition, which is basically the developed idea of a musical idea, and that is a very beautiful concept of how harmonious nations can work together.

Just a couple of days ago, there was a conference in China where the scholar Yuan Peng, vice president of the Chinese Institute of Contemporary International Relations (CICIR) in Beijing, said that China, and especially Xi Jinping, is not only offering a win-win policy, but a win-win-win policy. What he meant by that, is that China and the United States should work together in a triangular form, in the development of Latin America, and that China could be a bridge in the development

of Cuba, together with countries like Brazil, the United States and all of Latin America. And then he said that we can even expand that, to have a quadrangular relationship including Russia. He said that Europe also needs to work with China, because they are not yet out of their crisis.

What I am trying to tell you, is that there is evolving in front of our eyes, with us as time-witnesses and hopefully active players, a completely new model of relations among nations. It's based on avoiding tragedy, no conflict, no confrontation, mutual respect, and also mutual respect for the other social system that the other nation has adopted. And it's not supposed to be just for agreements, said this scholar Peng, but is meant to have an attitude and a common spirit, and we have to focus on the common aims of mankind, such as the joint development of Mars.

Mankind's Future in Space

China, India and Russia are all great space nations already, and we should reflect upon the fact of why space travel is so exciting for everybody—for young people, for old people—because it broadens the imagination. Most people, when they go shopping, just look at the floor so that they don't step in something unpleasant, or they look in the windows to see how the new clothes look, but they never, or very seldom, raise their eyes to the stars. But if you start to engage yourself in space travel and you look, for example, at how China, in its recent lunar missions, is preparing to mine helium-3 on the Moon for future fusion production, a fusion economy on the Earth, this is not only entering a new era. Once you have fusion power on Earth, you have energy security, because helium-3 will give us energy for tens of thousands of years, at least, and you will have raw materials security, because through the fusion-torch method, you can turn waste into isotopes and reconstruct completely new raw materials as you wish.

So, it will totally end the fight for scarce resources, and battles and wars for these resources, but it will also



China's "Jade Rabbit" Moon rover landed in 2013, the first return to the Moon since the U.S. Apollo space program. It is the forerunner of a lunar program to mine helium-3 for fusion power on Earth.

bring mankind into a new phase. Remember that when the astronauts, cosmonauts or taikonauts come back from space travel, they all report the same thing. When you are looking at our little blue planet from outer space, you realise we are just a tiny planet in a huge solar system, in an even huger galaxy, and within billions of galaxies. Therefore there is the idea of man developing together as one mankind, and starting to colonise nearby space, with the idea of preserving mankind as an immortal species, because it cannot be the case, as some geologists say, that mankind appeared in the history of the universe one second before midnight and will disappear one second after midnight. I don't think that that is acceptable.

Mankind is the only truly creative species; we are the only species which can, again and again, come up with new ideas on a higher level, have new insights into the laws of the universe, and we can guarantee that our species will leave its present embryonic condition, that war and conflict will be a question of the past, and that we will become the true creative species, which has predominantly geniuses who work together for the common good of all.

And that is what I wanted to tell you.

Discussion Excerpt

Robert Barwick: Helga, a few weeks ago two German statesmen made an intervention into the war danger: Foreign Minister Frank-Walter Steinmeier and Helmut Schmidt, the friend of Malcolm Fraser. Please comment on the impact that has had.

Zepp-LaRouche: Steinmeier, who is very much involved in the Minsk II agreement [to settle the fighting in eastern Ukraine] with Hollande, Merkel, Poroshenko and Putin, who are the heads of state, but the foreign ministers naturally do a lot of the actual preparatory work, went to Washington, to a conference of the Center for Strategic and International Studies (CSIS), and very powerfully stated that the idea of military solutions, including sending weapons to Ukraine, is completely unacceptable. At the same time, Helmut Schmidt, who is the former chancellor, now 95 years old, gave an interview where he warned of WWII coming out of the Ukraine crisis, and also said that a military solution is absolutely out of the question, and, very importantly, he said that responsible for the Ukraine crisis is not Russia, but the EU, and their decision at the Maastricht conference in 1992 to expand the EU eastward. Now this is remarkable, because it goes completely against the demonisation of Putin.

It is very unusual for German politicians not to stick with the so-called "Washington Consensus", but it comes from the realisation of many Europeans, especially in Germany, France, Italy, but also other countries, that the present course of the United States and NATO is threatening to cause WWII. Therefore they are conducting an independent policy. This has not happened in the entire

post-war period, but now it is happening. I think it has a tremendous effect. The danger is not yet over, because as long as Ukraine is in its present condition, and Gen. Philip Breedlove, the U.S. commander in Europe, who is the actual head of NATO, and not Secretary General Jens Stoltenberg, just invited Ukraine to join NATO, which again is completely unacceptable for the German position and also the French.

I am not saying that this intervention has already completely eliminated the war danger, but I think there is a tremendous trend, where Europe starts to take care of its own interests, and the mass joining of the AIIB is the best reflection of it. There is a lot of discussion in the background in France, in Italy, and in Germany, about the New Silk Road, and this idea is becoming more attractive by the day. Modi will be the featured guest at the Hanover Fair, which is the largest industrial fair in the world, and I can assure you that this will have a big impact, because German industry is suffering more than Russia from the sanctions, and they are looking for an alternative. If Europe joins with BRICS, then the Russia problem can be solved, because Russia is part of BRICS. Russia takes over the chairmanship on 1 April, and they will have the big summit of BRICS in July, and also of the Shanghai Cooperation Organisation (SCO), and they are preparing a completely new architecture of BRICS and the SCO. There is right now a huge conference in China, in Boao, and they are also presenting hundreds of infrastructure projects and other such plans, and that will get more and more attractive.

I am not saying the danger is over. It is still there, but if we succeed in getting the change in the United States, which is now visible with the candidacy of Martin O'Malley, who is campaigning for Glass-Steagall, together with these developments in Europe, I think we are on a more optimistic track, than in a very, very long time. We may find a solution, get rid of this present war danger, and start a completely new system. It is fully under way.

Conference participant: If Britain has joined BRICS [*sic*; the UK has joined the AIIB –ed. note], what is holding Australia and Canada back? In your view, what possible reasons are there for hesitation on the part of Australia, for instance?

Zepp-LaRouche: I think that in the past, Australia really had only the function of being an aircraft carrier for the future war with China, and it was part of the military agreements of the Asia Pivot, and basically accepted that condition. But I think right now it requires a mobilisation on the part of you, not only you personally, but everybody in the audience and beyond, because I think we can change that, because we have launched a petition drive, which you probably know about. This is a petition



German Foreign Minister Frank-Walter Steinmeier (l.) and former West German Chancellor Helmut Schmidt (r.) have warned of war.

calling for Europe and the United States, and Australia, to join with BRICS, and presently there are already several hundred signatures of important institutional people and many thousands of so-called ordinary citizens, and it is a perfect outreach. I can assure you, that we have daily meetings with people who know nothing about BRICS because the media don't report about it, but once we tell them what a tremendous opportunity for a change in human history this is, people get it! They get the idea of a new paradigm.

In the beginning they have arguments that say, "But isn't China this? Isn't Russia this?" But once they get the dynamic of it, and once they see that these are completely different axiomatic conceptions, different principles, they get excited, and then it spreads. So the best thing you can do, is go into a rapid mobilisation. It may not be sufficient for Australia to be a founding member, because that date runs out on Tuesday [31 March]. I mean, you can go into a massive mobilisation before Tuesday, but China has already said that there are several countries who will be in the second round, like Iran and many others, who may not be founding members—I think there are presently 37 or so founding members—but you can join it afterwards. And China has said almost every day now, that the AIIB is open for everybody who wants to cooperate. So I wouldn't give up on Wednesday, and on Thursday, and just escalate your drive to get Australia on the side of BRICS, because given the geographical position, or location of Australia, it is the most natural partner. I think that recognition can become the majority view in Australia, especially when Great Britain is already part of it. I don't think there is any good reason anybody could make for Australia not to do so.

Craig Isherwood: Thank you, Helga. Thank you very much for being part of our conference.

The Power of the BRICS Process: Views from Russia

Professor Georgy Toloraya

Executive Director, Russian National Committee for BRICS Research

Craig Isherwood: *We are extremely pleased to welcome as our first speaker on the Russian perspective on the BRICS, Professor Georgy Toloraya, who is Executive Director of the Russian National Committee for BRICS Research. Dr Toloraya has served in the past as a diplomat in both countries of the Korean peninsula, as well as here in Australia as consul-general in Sydney, from 2003 to 2007. His scholarly expertise on East Asia has included a concentration on Korean affairs, especially the economic policies of South Korea. He has worked at the Russian Academy of Sciences Institute for the World Economy and International Relations, as well as heading the East Asia Department at the Academy's Institute of Economics. Prof. Toloraya also teaches at MGIMO, the Moscow State Institute of International Relations, which is the university of Russia's Foreign Ministry.*

These days, as Russia this year chairs both the BRICS group and the Shanghai Cooperation Organisation, Dr Toloraya is especially busy with the new post he took up in 2011, when the Russian National Committee for BRICS Research was inaugurated and he became its executive director. The new organisation was formed by the Russian Academy of Sciences and the Russkiy Mir, or "Russian World", Foundation, with backing from the Russian Foreign Ministry, pursuant to a Russian Presidential order after the 2011 BRICS summit in China. The Presidium of the Scientific Council of the Russian National Committee for BRICS Research is chaired by Academician Mikhail Titarenko; some of you may have read his message to last October's Schiller Institute 30th anniversary conference in Germany, expressing appreciation for our movement's decades of work for the Eurasian Land-Bridge and a new, just economic order in the world.

I invite Professor Toloraya now to speak to us on the BRICS process.

Professor Georgy Toloraya: Thank you very much, Craig, for your kind introduction. Good morning, ladies and gentlemen. Thank you for coming on this Saturday morning to this conference, which I think is very important, maybe a milestone.

It's a sign of the changing times. When I left Australia about seven years ago, I would never have imagined that I would come here to present on BRICS. As a matter of fact, BRICS didn't exist at that time. There



Professor Georgy Toloraya addresses the CEC conference, 28 March 2015.

was "BRIC", which was a loose grouping of countries, and nobody thought about it as an international phenomenon at that time.

And still, there are many sceptics, especially in the West. I recently had a meeting with a high-ranking ambassador. We were sitting in a country, which I won't name, by the seacoast, and we were talking about BRICS. He said, "Look, what is BRICS? It's just a photo opportunity for President Putin not to feel that he is alone, when he is in Brisbane or somewhere."

So, unfortunately there is a lot of scepticism, especially in the West. From the start, the U.S. media, and scholars, would say that BRICS is either impossible, or reactionary. I recently published an article in the Russian branch of *Foreign Affairs*, which is called *Russia in Global Affairs*. [I quoted] one scholar [who wrote], "No idea has done more to muddle thinking about the global economy than that of the BRICS." Usually the BRICS is criticised, based on the fact that the countries are so different, that they have many contradictions among them, that their economies are faltering now,

for example in Russia, also in Brazil, and China is also not free of economic problems, and that the countries which are in BRICS not only have contradictions between them, like India and China, but also between suppliers of raw materials, like Russia and Brazil, for example, and consumers of raw materials, like China and, to a certain extent, India. So, obviously, they cannot be on the same page for commodity prices and things like that.

Also, the critics sometimes still interpret BRICS as just an economic phenomenon. Therefore, they state that since there's no economic integration between the BRICS countries, it's sort of an artificial grouping.

This is a misunderstanding of the essence of BRICS. I would dare say that BRICS is a fully political project, a project of the political elites of the BRICS countries—newly emerging powers—with a clear purpose: to defend their joint interests in this changing world, by promoting reforms and promoting change in the global economic architecture, as well as, eventually, in the world order.

That said, I would like, however, to contemplate how the BRICS strategy can be coordinated with the current Western strategy. Especially in the West, and the U.S., there is a firm notion that BRICS is anti-Western, especially anti-U.S. And, in fact, the U.S. is doing a lot to put pressure on the BRICS and try to disorganise it, in many aspects. For example, there was a lot of pressure on BRICS with respect to IMF reform, and also on BRICS in connection with the Ukraine issue. For example, before the summit in Fortaleza, Brazil, the U.S. and Ukrainian ambassadors made a joint demarche to the foreign ministries of all the countries, to try to persuade them not to work out a common position on Ukraine.

There are lots of examples like this, but I think this is a wrong attitude. Why? Because BRICS is really a union of reformers, and it is an inter-civilisational union, I would say. But, at the same time, everybody understands that we cannot move on, and cannot get progress, without cooperation with the dominant civilisation, with the West.

And, in fact, all the BRICS countries are more oriented towards the West, both in terms of values, and in terms of standards of living, and technology and foreign trade. The BRICS countries have much less [by way of] ties with each other, so far, than each of them has with the West—with the U.S. and European market, for example.

So, what BRICS implies is cooperation. It's not a zero-plus game. BRICS is supposed to cooperate with developed countries, in order to progress. But, at the same time, it should strive to solicit western cooperation



President Putin (Russia), PM Modi (India), and Presidents Rousseff (Brazil), Xi (China), and Zuma (South Africa) (l. to r.)—leaders of the countries whose initials give the BRICS group its name—meet 15 November 2014 in Brisbane. (Facebook/Narendra Modi.)

on changing the world order in a way that it can be just, for everybody—for all the members of the world community, not just a few rich countries, which now dominate the IMF, for example, and all the economic governance organisations, and other global governance institutions.

Also, BRICS started as a union, or as a grouping, mostly based on economic issues. Now, it's quite a different phenomenon. We now have, I think, 25 tracks of cooperation within BRICS. We have lots of discussions on many issues. More and more, when we try to solve these individual issues, like ones in finance or trade, or cyber-security, for that matter, it turns out that before addressing these issues of global governance, peace and security, the rules of the game involved should be changed.

What are the modern challenges the world faces? I think we can say that one is a sort of fragmentation of international security. We have no universal rules, no international law being applied in a single, unified manner. We have, rather, “coalitions of the willing”, who try to solve this or that international conflict or problem, usually on a very biased basis, and others, which are not members of those coalitions, and whose rights are not protected by international law.

We also have a fragmentation of economic life. The world, more and more, is being divided into different economic groupings, which do not follow universal rules. We have the WTO, we have financial rules, but they are applied, also, in a very specific manner: with double standards, I would say. There are more and more free trade areas, or some kinds of economic unions, like the Trans-Pacific Partnership, which exclude themselves from the universal rules and in fact are aimed at diminishing some other countries, which they consider to be competitors. The Trans-Pacific Partnership is clearly directed against China, for example.



The proposed Trans-Pacific Partnership (left), and BRICS (right). “BRICS is supposed to cooperate with developed countries ... on changing the world order in a way that it can be just, for everybody,” Prof. Toloraya said. By contrast, free trade agreements like the blatantly anti-China TPP “exclude themselves from the universal rules and in fact are aimed at diminishing some other countries, which they consider to be competitors.”

I have mentioned double standards already. They are very different. This is, obviously, seen on many occasions. I would only cite Ukraine. In the Kosovo example, when the country declared independence, it was accepted; while in the same situation in Crimea, it was not. There are lots of lies and double standards about what’s going on in Ukraine now, but I won’t address it; this is just an example.

Also, we are watching now a very dangerous process of the West’s trying to break the strategic balance in the world that was created during the Cold War era, and which kept the world from a major world war since the end of the Second World War. The missile defence programs, the Prompt Global Strike strategy, the new kinds of weapons like drones, are dangerous. They can break the strategic balance and result in a war that might well annihilate all of humanity. Craig and Helga were right about noting this very dangerous tendency.

To put it in a nutshell, we see a sort of geopolitical division—not like in the Cold War era, but an even more dangerous one, when the much more complicated world is now divided on different issues and in different spheres or spaces, and there’s no mechanism which actually regulates it. The United Nations organisation cannot fulfil the goal it was created for. Sometimes it’s just dysfunctional.

Upholding International Law

So, what should be done?

First of all, the BRICS countries think that what is necessary to be done, is to uphold international law—law as universal rules. It’s important to note that there is a certain difference. Of course I’m no lawyer (I’m an economist by training and a diplomat in my career), but still I can say that international law is not based on any national law, but rather has certain special features. The BRICS countries, including even India,

with its tradition of British common law, presume that law should be based on codified norms, which should be applied, while English or British common law, and American law, are based on precedent, as you all know well. Once a precedent is created, this is a justification for what goes on and on. If the U.S. invades Iraq, this sets a precedent for other countries to follow suit. I think that this is not what is supposed to be the basis for international law, and the protection of law. Stating the rules and observing them is one of the most important purposes of the BRICS countries.

Second, as I mentioned, the central role of the UN should be upheld. There are lots of precedents, where UN decisions are not applied, or are applied in a selective manner. For example, how many resolutions were adopted criticising Israel for what it is doing in Palestine? None of them are taken into consideration, while certain declarations that are useful for the West are being pushed through. There is a need to reform the UN and, in general, strengthen the international institutions included in the UN system, which are universal and that are transparent, based on certain rules, which cannot be bent towards one or another side.

I believe this is the role of the United Nations Security Council (UNSC), which should be reformed. Of course, BRICS is divided on this issue. All the countries of BRICS have set UNSC reform as their purpose, but there are different approaches. India and Brazil, as well as South Africa, are eager to get permanent membership on the UNSC, while China, supported by Russia—we are not really eager to give up the exclusive status of veto-wielding members that we have now. But I personally think that it should be changed. Of course, it may be not so patriotic, but I think that having the other countries, the BRICS countries on board, for taking responsibility for

world affairs, is more important than protecting the existing order.

We also need to increase the BRICS countries' role in addressing all kinds of threats. I will speak about this in more detail later. It is also important that BRICS play an increasing role in preventing and managing conflicts, including regional conflicts. This is already on the agenda. Inevitably, during BRICS summits this conflict discussion pops up, and the discussions are no longer limited to only economic issues. If you read the Fortaleza Declaration, for example, or the Durban Declaration, much of them is devoted to conflicts, to regional conflicts and other conflicts. Of course, BRICS has neither the desire, so far, nor the mechanism to regulate these conflicts, but this is something that I think should come in the future.

So, the basic principles on which BRICS is based, as I mentioned, and I'll say it again, should be, first, commitment to international law and the UN's central role. Second—neutrality in the case of conflicts, especially those with the participation of a BRICS country. This is important, as in China's case, where China has some problems with Japan, and with the South China Sea countries. I believe that the BRICS now, at this point of development, shouldn't interfere, otherwise it can break up their unity. This is a tactical move, but I think it is important at this moment.

Third, BRICS must develop a uniform policy with respect to regional conflicts, through consultations, and I will elaborate on this later, and, fourth, it should steer the BRICS by non-violence and objectivity.

One more thing, is the guiding principles that make up the foundation of BRICS. I'll read what they are. These are mutual respect and non-interference in the internal affairs of each other, a non-confrontational approach, mutual respect for the choice of each of the countries, openness, pragmatism, solidarity, a non-bloc character, and non-direction against



A United Nations Security Council meeting. The BRICS nations want to strengthen the institution of the United Nations in order to protect sovereignty.

third parties. This is very important. We stress again and again, that BRICS is not aimed against any third party, including the United States.

BRICS Consultations

BRICS should now think about creating a permanent consultation mechanism of foreign policy and security officials, and I think we'll have some progress on that at the Ufa meeting, during the Russian chairmanship.

- Coordinate the position on conflicts in international organisations, like the UN and G20, and others.
- Formulate common policies on national identity and human rights protection, which is very important for conflict-prevention in the future.
- Cooperate on a network basis through regional organisations and outreach countries.

BRICS might suggest global treaties in new areas of security, for example the non-weaponisation of outer space, new types of weapons, as mentioned before, and others.

BRICS could also produce a joint declaration, or even treaty, on peaceful coexistence within the BRICS countries, which would be a milestone. You know, for example, the ASEAN case: ASEAN is based on the Bali Treaty, which cites the basic principles of inter-state relations and the peaceful character of this organisation. And I think that, while ASEAN is a regional organisation, BRICS can do much more by suggesting this kind of a global treaty, as a sort of declaration of what might be the new era in international relations.

There are even some suggestions that BRICS might eventually have a joint peacekeeping force, under the auspices of the UN. But I think we are still far from that, because there is a strong allergy within BRICS, when some suppose it might some day become a sort of military union. It will not, because the BRICS countries don't need this, and it would never be a NATO-type military-political union, simply because the principles and the foundation of BRICS are quite different.

If we speak about further challenges we might fight together, these would include: new types of weapons; weaponisation of outer space; terrorism; drug trafficking and international organised crime. Information and cyber-security are especially important. It's no secret that the Internet now is governed by small groups of companies and individuals, based in the United States. Unfortunately, they do use the Internet for their own advantage, starting with cyber-spying and gathering essential information, to threatening to block the Internet access of countries or persons who are not acceptable, I would say. BRICS,

I think, would have a desire to become leaders in the global Internet, because BRICS, after all, represents more than half the world population, and a large number of Internet users, a number that will grow day by day. I think that this is one of the major topics of BRICS cooperation, to create this kind of international new rules for the Internet and a coordination mechanism.

Also, the BRICS are all countries with vast ocean-related interests, and maritime security is one of the areas where they could cooperate. Illegal migration is also relevant to BRICS countries, [as are] food, energy and water security. Water security is increasingly a challenge to the development of the future world. Ecology and greening our economy is especially important for BRICS. All countries face this issue, especially China. I think that BRICS can do a lot to bring these issues to the forefront, as well as to help create and impose new rules for the Internet. Disaster relief is also one of the areas in which we would like to cooperate.

So, these are the areas in the non-economic sphere that are important for BRICS.

A New Economic-Financial Architecture

I would also name a few areas of cooperation which are now crucial for BRICS, in the non-political sphere. First and foremost, is changing the international economic and financial architecture. We all know that the IMF, based on the Bretton Woods post-war system, although it was supposed to be an international body, is much under the influence of the U.S. and European countries. The decisions made there are based not on consensus, but on the voting rights and the possibility for the U.S., and sometimes Europe, to wield the decisions they think are important for them, not for the recipient of the aid and not for the global economy as a whole. Our efforts, the BRICS countries' efforts to change the situation have, so far, more or less failed. The demands for reform of the IMF and World Bank have been consistent, and decisions were taken and a directive adopted to change, for example, the quota system—the quotas, and the voting quotas of the BRICS countries and newly emerging economies, but they have, so far, been blocked, and blocked by none other than the U.S. Congress.

There was a sort of declaration from the BRICS countries, that unless there is substantial reform before the beginning of 2015, we'll have to do something. Although it's not published, it's not something that is stated, I have a strong feeling that the Asian



The signing ceremony for preliminary agreements on the Asian Infrastructure Investment Bank, in the Great Hall of the People in Beijing, 24 October 2014.

Infrastructure Investment Bank (AIIB), which was mentioned earlier, is one of the answers to the virtual domination of the U.S. in the IMF and the Asian Development Bank.

This is now taken as a challenge by many countries, but some of the closest U.S. allies decided to join it, quite unexpectedly for China, I should say. So, we shall see how it will work. Anyway, the AIIB as I understand, is concentrated, or focussed, on projects in Asia, and not even the Asia-Pacific Region as a whole, but rather Southeast Asia and Central Asia. So, it's a regional bank, so far.

Much more important is the New Development Bank, which was first proposed by India several years ago, given the Delhi summit, and now this idea has taken shape, and the agreement on the bank is supposed to become operational after the Ufa summit in Russia. I can answer some questions about this later, but would just only say that the BRICS New Development Bank is a very important instrument not only of support for the infrastructural and other projects that are important for the BRICS countries, and which are not expected to be supported by the IMF or other international financial organisations, but it is also a sort of first example of institutionalisation of the BRICS countries, gathered together, to work out joint economic—and not only economic—projects. One of the things I came to realise, [is that] when it comes to analysing statistics on BRICS countries, or economic tendencies, or political life, we are all basing our analysis on western or international publications. We don't know, because we don't have much access to Brazilian or South African statistics; Chinese, also we have only those which are English-language-based. So, what is going on in the BRICS countries, [what] we, as the scholars, the experts, and decision-makers [have], is much based on how it is interpreted by the West, by the western media. The BRICS New Development Bank is a place, I think, where the countries

could directly exchange information, and their plans and their strategies. So, it may be more than just an investment bank. It might be a sort of analytical centre (or maybe one should be separate within the bank), for the future coordination of economic policies.

If you ask me about the institutionalisation of BRICS, I think this is a process that has already started. The BRICS countries are very reluctant to force this process, simply not to be condemned as creating some sort of a bloc. Especially China is very cautious not to push this process, because it could be interpreted as sort of a Chinese-dominated organisation, which would be the end of BRICS. I think this is one of the purposes of the policies of the U.S. and other western countries, to break the BRICS from inside it.

But, still, institutionalisation is needed. This year, we are going to create a so-called virtual secretariat, as a result of Russia's chairmanship. This is an Internet-based platform, which makes it possible for countries to exchange documents, to keep records, and to cooperate, for official channels, electronically, without actually meeting each other. It's a first step, and I think that it's an important first step for the future creation of some kind of future BRICS institutions, which could be at first of a purely technical character.

For example, as a diplomat I know that when leaders meet each other, and you have negotiations with other countries, there's a person—I played this role many times—who sits and takes notes on what is being said. Imagine, every country has such a note-taker, and they all make notes. And there's translation. Everybody takes notes, and the text which is the result is kept secret, of course, because it's a national document. But these five texts, in the case of BRICS, are not necessarily the same, because you tend to misunderstand something, you can put emphasis on one or another thing, so what the leaders or others have agreed upon, in the future becomes a source of contradictions. One says, "You know, this and that were said and agreed." The other says, "No, no, no, this is what it was." So, I think we should keep a joint record of what's going on. This is one example of a role that a technical secretariat would play. It is just one example, of course, but it gives you an idea of the complexity of international relations.

BRICS Outreach

One issue that would inevitably come up is the enlargement of BRICS, with other countries joining, including Australia, for that matter. I think that, so far, we have to be very cautious in this respect. First, as I've said, there is an unwritten criterion for BRICS membership. These are big countries, with big populations, and [ones that are] naturally central to their regions. Some of them happen to be civilisational

platforms of certain regions, like China, or Russia, or India, even Brazil, for that matter; South Africa, to some extent, because it represents the whole of the continent, or tries to bring in this added value of representing the African mentality and African culture.

So, not all countries can be members of BRICS, just by virtue of wanting to. There should be some criteria. If you ask me, I would say that what we lack in BRICS now is, of course, two civilisations. That is, broadly speaking, European civilisation, and the Muslim one. I would suggest Indonesia as the first candidate. That's my own opinion, because it's a big, developing country with some 375 million people, and it fits the criteria of BRICS.

There are many other countries which would love to join. I won't name them, but there is sort of a line, already, of aspirants into BRICS. But I would caution against that, because BRICS just started. We are different, we have many problems. First, before enlarging BRICS, we should put our house in order. It's much easier to do this with five partners, than with six, seven, eight, nine, or whatever. I would also quote Parkinson's Law, that any committee that contains more than seven members has a tendency of being divided into factions and becoming dysfunctional. Inevitably, when you have some kind of a committee which is enlarged and enlarged and enlarged, later, inside the committee there appears a sort of group, or presidium, as we call it in Russia—a central deciding board, which consists of just three or five members. This is a joke, of course, but it has some sense to it. BRICS shouldn't be big.

But, it is very important for BRICS to cooperate with so-called outreach countries and organisations. This is a mechanism that should be created. We don't have it, so far. It has only started to be created, starting approximately three years ago. In Africa, there was a meeting between the BRICS leaders and outreach countries; in that case, it was African leaders. In Brazil, it was with leaders of Latin American countries. In Russia, we'll have simultaneously the Shanghai Cooperation Organisation meeting, which will bring in some regional leaders, and they are the natural partners for BRICS outreach in Russia. My opinion, however, is that we should also take Europe as outreach, because we are located in Europe, and therefore we would wish so. If relations between Russia and the European Union were feeling better, I think that that could have happened, but I don't think it's possible at the moment.

So, we have this mechanism of outreach countries and outreach organisations. I think that in Russia's case, the Shanghai Cooperation Organisation could be a sort of partner for BRICS.

I think it is necessary to take this process further.

A formal institution, a formal status for countries that want to cooperate with BRICS should be created, maybe with two categories: observers, and partners for dialogue. So the leaders of these countries can be part of the process. For example, observers would be accepted at the meetings and the deliberations, maybe at first without any right to vote, and to make decisions, but anyway learning what's going on and presenting their point of view. And the other partners may also take part in certain big gatherings, and have some bilateral dialogue. I think that this is the first step, actually, for the enlargement of BRICS, and taking in new countries.

And just to end about my beloved Australia, where I spent so many beautiful years: in case Australia is interested, although it is widely accepted in the world as a part of an Anglo-American axis, it would be very nice if Australia could, being a big continent, not with much population, but, you know, things come and go, things can change—I think it would be only natural for Australia to become a dialogue partner, at first, and an observer of BRICS.

Thank you very much.

Discussion Excerpt

Robert Barwick: Professor Toloraya, with the sanctions on Russia, and the economic impact of the collapse of oil prices, we know that the Russian government has been trying to slash the budget. And you've got challenges like the Far East, and developing it. What do you say about the role of the BRICS-related new financial institutions in meeting those development challenges, like the New Development Bank, but also the Asian Infrastructure Development Bank? Here in Australia we're debating joining the AIIB, but one of the biggest powers in Asia is Russia. Is Russia also planning to join it? Secondly, would you comment on the applicability for Russia today, of the Malaysia approach to the 1997 attack on its currency, with exchange controls and internally generated credit?

Prof. Toloraya: In fact, the Western sanctions have not that much to do with the current crisis we are experiencing in Russia. I would say that Saudi Arabia is more to blame, because they want to bring down the price of oil, to fight the shale revolution in the U.S.; to put the shale oil and gas out of business. That's why they are trying to keep the low oil prices, while the Russian economy, unfortunately, depends on the revenues from oil exports. Therefore our currency, the ruble, has fallen by a factor of two. It really reminds me of the so-called IMF crisis in 1997 in Southeast Asia, including Malaysia. But, in that case, there was a deliberate attack against the local Asian currencies.

In Russia's case, the ruble is tied to the price of oil. So, whenever the price fell in dollars, the currency's exchange rate fell accordingly. Of course, that severely undermines imports and it also severely undermines the filling of the state budget, so we have to slash expenditures and close, or not start new, projects. This is all very bad, but, unfortunately, we ourselves are to blame, because we had at least 20 years to reform our economy and put it on a more industrial basis—on a more productive basis, and not just depend on oil and gas exports. But that never happened. Now, at least, when we have this crisis—every cloud has a silver lining—I hope that we will start rebuilding our industry and rebuilding our economy.

The sanctions added to that, but at the same time, strangely enough, the sanctions do help the Russian government and President Putin, because if such a crisis had resulted just from wrong economic policies—which account for 90 per cent of the current economic situation—then the government of Putin would have been blamed. Now, the West can be blamed, with the sanctions, and the Russian people are united. We'll live through hard times. We'll break through this economic situation.

BRICS, so far, plays not such a big role. But now, in this crisis situation, there are two tendencies. First, we are substituting for imports from the West by imports from BRICS, especially imports of food, such as fruits and vegetables, and consumer goods. Fruits and vegetables come from South Africa or Brazil; it's easy, with their current transportation network. Consumer goods come from China, mostly, and India. So, we are reorienting our imports to these countries, and that's good for them, and it's bad for Europe. That's a trouble of their own making.

Second: investment. Russian capital is now looking for more lucrative markets in the East. We are also trying to turn to the East in economics, and export our products to China and East Asia in general.

Third, we have some more material cooperation, and finance, with these countries. For example, the pool, the reserve arrangement for currency support that we have now for the BRICS. Naturally, we were doing this with China on a bilateral basis, by getting Chinese yuan loans to stabilise our currency. And we are now doing trade with China on a yuan and ruble basis, rather than in U.S. dollars, so that also speeded up this process of integration.

About the Asian Infrastructure Development Bank: We were not planning to join this, but now maybe we can reconsider.¹

¹ On 29 March 2015, Russia announced it would join the AIIB as a founding member, and the Australian government said it would sign a Memorandum of Understanding with the AIIB as a step in that same direction.

Russia's Strategic Engagement with BRICS: a Geostrategic Perspective

Dr Alexey Muraviev

Curtin University, Perth, WA

Craig Isherwood: *Our next speaker is Dr Alexey Muraviev, Head of the Department of Social Sciences and International Studies at Curtin University, Perth, Western Australia. He is Coordinator of the International Relations and National Security programs and the founder and Director of the Strategic Flashlight forum on national security and strategy at Curtin.*

He has published widely on matters of national and international security. His research interests include problems of modern maritime power, contemporary defence and strategic policy, Russia's strategic and defence policy, Russia as a Pacific power, transnational terrorism, Australian national security, and others.

Alexey is a member of the Australian Member Committee, Council for Security Cooperation in the Asia-Pacific region (AU-CSCAP), a member of Russia-NATO Experts Group, a member of the International Institute for Strategic Studies, London, a reviewer of the Military Balance annual defence almanac, a member of the Executive Committee, Australia-Russia dialogue, a member of the Research Network for Secure Australia, a member of the Australian Institute of International Affairs (WA branch), Royal United Services Institute of Western Australia, and other organisations and think tanks.

In 2007, 2008, 2009 and 2010, the Australian Research Council (ARC) College of Experts nominated Dr Muraviev as an "expert of international standing". He advises members of state and federal government on foreign policy and national security matters and is frequently interviewed by state, national and international media.

I'd like to welcome him to our conference.

Alexey Muraviev: Thanks very much, Craig, and good morning to all of you. First of all, I would like to express my gratitude to the conference organisers for inviting me here, and for organising this really important event.

What I would like to do, is to offer you five points with respect to the discussion about Russia's strategic engagement with BRICS, also on the basis of what has been partially covered earlier this morning—the geopolitical and geostrategic realities, and possibly arrive to a bit more



Dr Alexey Muraviev addresses the CEC conference, 28 March 2015.

happy conclusion. At the end of the day, the theme of the conference is to achieve prosperity through peace, or peace and prosperity at the same time.

But before that, let me take you back to November-December last year, and the anticipated "shirt-fronting" of the two greatest experts in martial arts (**Fig. 1**), something that certainly was beefed up here in Australia, about what the Prime Minister was planning to do to Putin, and with Putin, not necessarily in exactly the same order. What came out of that? The initial discussions that the Prime Minister and Putin had had back in Beijing,

FIGURE 1



at the APEC summit, if you remember a short interview when the Prime Minister left the room, didn't make him feel optimistic about the effect of shirt-fronting with someone who is a black-belt in judo.

But then came Brisbane [the G20 summit]. Apart from this anticipation, there was something else that came just days before that. It's something I describe as the "Big Oz" scare, which is something that reminded me of the good old war days, when the Australian media went ballistic, when a Russian naval task force, incidentally on purpose, arrived in the Coral Sea. It got even to the point, that some media commentators began making the point that two Russian ships are a sufficient invasion force to challenge Australian security. At that time, I was trying to defend the role of the Australian Navy, and give the guys some credit. If two Russian ships can take on Australia, why are we funding the Navy, which cannot really repulse them?

Apart from all of the discussions that everyone anticipated that the Brisbane summit would have, and there was a lot of discussion about where Mr Putin was standing for the group photo, compared to the group photo he had at the APEC summit in China, just days before the [G20] summit, I think something was missing with regards to one of the strategic outcomes of the summit in Brisbane. That was the meeting of the leaders of state of the BRICS members (**photo, p. 21**), which the Australian media conveniently overlooked, and it came as a genuine surprise when I made a couple of commentaries on ABC. Whilst we looked at the [Brisbane] summit as a way to restrain Russia, and put Mr Putin back in line, I think that the way the Russians looked at this, not only from the standpoint of engaging with the G20 member states, but also with BRICS, signalled that they are paying more attention to this relatively young, but quite ambitious organisation. Certainly from that perspective, they considered their engagement with the Brisbane summit to be quite successful.

1. BRICS as a Strategic Platform

There is a strategic logic behind this. Clearly BRICS, and this challenges the traditional perception, does not represent the only platform that Russia can use now to interact with the outside world, or as a way to break the *cordon sanitaire* that's been imposed on it as a result of the crisis in Ukraine. It is a logical continuation of Putin's policies towards reintegrating Russia, and repositioning Russia as a global player. And, certainly, the summit or the meeting in Brisbane was a logical continuation of the major strategic outcomes that the BRICS members achieved in Fortaleza in Brazil.

Georgy [Toloraya] already mentioned a number of them, so I shall not go through the details, but the two fundamental outcomes were the creation of what seems to be becoming an independent financial and, as a result,

political capability, which would, if successfully implemented and having legs for growth, would provide the BRICS with lesser dependence, ideally, on western financial institutions, and greater leverage for engaging in strategic projects on their own.

Please don't look at me as an economist or financial expert; I deal more with dark and scary stuff, so whenever something happens, people show interest in me, rather than ask me how my day was. But, even from that perspective, there was something else that the summit in Fortaleza managed to achieve: the growing political unity that the BRICS leadership was showing. For the Russians, it was very important, because it happened at the time of the climax of the standoff with a number of western nations.

Three points from this rather longish declaration, which point to the geopolitical aspects, are really important, in my view, because they highlight the relative unity of the BRICS members about the transformation of the global world order, away from the unipolar concept, towards a greater multipolarity; and multipolarity driven also by the notion of respect for international law, respect for international and transnational institutions, like the United Nations, the power and authority of which was undermined over the past fifteen years. A message that is embedded in that particular part of the Fortaleza Declaration is that the members of the BRICS community, which can be regarded as the future powerhouses of the 21st century, would want to see the world operating in a slightly different way.

Fortaleza Declaration and Action Plan

25. We reiterate our strong commitment to the UN as the fundamental multilateral organization entrusted with helping the international community maintain international peace and security, protect and foster human rights and promote sustainable development. ...

26. We recall that development and security are closely interlinked, mutually reinforcing and key to attaining sustainable peace. We reiterate our view that the establishment of sustainable peace requires a comprehensive, concerted and determined approach, based on mutual trust, mutual benefit, equity and cooperation, that addresses the root causes of conflicts, including their political, economic and social dimensions. ...

27. We will continue our joint efforts in coordinating positions and acting on shared interests on global peace and security issues for the common well-being of humanity. We stress our commitment to the sustainable and peaceful settlement of disputes, according to the principles and purposes of the UN Charter. We condemn unilateral military interventions and economic sanctions in violation of international

law and universally recognized norms of international relations. Bearing this in mind, we emphasize the unique importance of the indivisible nature of security, and that no State should strengthen its security at the expense of the security of others.

I'm not going to suggest for a moment, that BRICS is positioning itself as an alternative to the United States, or a geopolitical alternative to the EU or NATO, or other trans-Atlantic or trans-Pacific treaties, but, rather, it's clearly a sign of independence and sovereignty of a number of major powers that represent a number of key continents.

In this sense, to me personally (and I want to make clear that here I'm speaking in my private capacity), BRICS represents a partial, at least, implementation of the grand design of Yevgeni Primakov (Fig. 2). Yevgeni Primakov was a Russian foreign minister, under whom Russia redirected its course from realignment with the West, and adopted a more pragmatic approach. After that, Primakov became Russia's prime minister, at the time of the crisis in Yugoslavia. So he saw the country through challenging times. But it was Primakov, who actually began promoting the idea of multipolarity, initially proposing in the late 1990s the concept of the strategic alliance, the grand alliance Moscow-Beijing-New Delhi, which was entertained around 1998–99. In his latest memoirs, published around 2011, he actually made a reference to BRICS as a partial realisation of his grand idea.

The emergence of BRICS as a socioeconomic and a geo-economic framework is a manifestation that the world order is changing. And, obviously, there is a resistance, and a reluctance to accept that, and that obviously is manifested in how BRICS is being looked at in Australia and other countries. But I think this is something to be reckoned with, bearing in mind that it unites half

FIGURE 2



of the world's population, the most dynamically developing economies, and, hypothetically, if we talk about the political and security dimension, it also brings together three nuclear-capable states. Having said that, I'm not suggesting for a moment that BRICS has a political or a security role to play, but it's something to bear in mind.

2. Russia's Strategic Logic

What is the logic for Russia to engage in BRICS and to rely on BRICS? Obviously the significance of BRICS, and the gathering in Brisbane and, before that, in Brazil, was highlighted by the ongoing strategic tension between Russia and the West—and, in this sense, the West is not united—over the crisis in Ukraine. There has been a lot of debate in Australia, and I was part of this debate, about what the crisis in Ukraine means. I think that what's missing here, is the extent of human tragedy.

Seventy years after the end of the most horrific war that the world has seen, we see a repetition of an unprecedented level of violence (Fig. 3). And technically, it is in the heart of Europe. If you start looking at European geography from Gibraltar to Vladivostok, you'll find Ukraine sitting right in the middle. So the perception that Europe remains a relatively safe place has been

severely undermined by this conflict, which is a result of the ongoing tension between Russia and the West, as well as the failure to recognise Russia as an equal partner, rather than looking at Russia as a bully. Russia's actions, or counteractions, depending on which position you take, are driving the debate.

When I was saying, five or ten years ago, that Russia's might has been severely underestimated in Australia and elsewhere, this was met with scepticism; now this scepticism has transformed into massive paranoia about

FIGURE 3



what the Russians can do, and what we in the West cannot really do about them.

In this sense, I would like to bring in a bit of an optimistic outlook. The threat of a thermonuclear war is not as serious as it may seem, simply because there are not going to be any winners in the war. So, in this sense, trying to use military or political pressures on Russia is pointless. I have kept reminding, both in Canberra and in other places, that while there has been hyper-excitement about China's strategic rise, Russia remains the world's #2 military power, bearing in mind the strategic nuclear deterrent capabilities, and the only country that can hypothetically and physically destroy the United States. So, trying to do something in terms of escalation with Russia would seem to be absolutely pointless, because there are not going to be any winners in that.

The current standoff needs to be understood as a system of strategic errors of judgment—I would say, on both sides. There is no one side to blame, here. But, clearly, what I was saying before: the West's failure to recognise that Russia has as much of a strategic stake in place as the United States, as any other major players—and here, I want to quote Henry Kissinger, and he got fried in the States for the phrase, though I don't really see what is so heretical that he said there:

The West must understand that, to Russia, Ukraine can never be just a foreign country. ... Ukraine has been part of Russia for centuries, and their histories were intertwined before then.

—really reduced opportunities for finding pragmatic outcomes there. As well, [there is a] failure to recognise that what's really happening is a confrontation within the same civilisational space. I think that the Russians were advocating for a long time, that they are not part of some alien civilisation; in fact, they are part of greater Western Civilisation, and lately they have been referring to themselves as an alternative West. That is something interesting to think about, because you have probably heard of this notion of "conflict of civilisations", that was, and continued to be, entertained in the 1990s.

But Russia's reaction to Ukraine, which was knee-jerk itself, created this very short space for political manoeuvring, when sanctions were imposed. And when we talk about the imposition of sanctions, we cannot forget that the Russians came back with their own set of sanctions. The sanctions led to counter-sanctions. And because there was not even an opportunity to have a dialogue: "OK, let's take a chill pill and think about this for a moment, before we open our mouths and go on the record", the elites now find themselves [where] if they start, now, trying to engage in a more balanced dialogue, the perception would

be that they are making concessions. So we are in a stalemate, where neither side is prepared to move and compromise. That is worrying because, again, people are suffering, and people are still dying, despite the fact that a relative ceasefire was reached.

Again, this is not something that the Russians were not talking about or even alerting to. The traditional perception we have here, in Canberra, is that it all started when people in Ukraine removed a corrupt government, and the Russians decided to have an adventure in Crimea, because they didn't have enough beaches to spend their summer vacations on, and then they would go and occupy eastern Ukraine. But in reality, the Russians were effectively saying, "Look, guys, we have been exercising patience for the first 15 or 20 years since the end of the Cold War. We've been telling you that we are not happy about NATO moving eastwards, that we are not happy about the strategic balance of forces, because we've been reducing our military, while you've been absorbing new members and increasing the military."

The final red line on the sand was drawn by Putin when he was attending the Munich Security Conference back in 2007, a format which allowed him to be as blunt as possible.

NATO expansion does not have any relation with the modernisation of the [NATO] alliance itself or with ensuring security in Europe. On the contrary, it represents a serious provocation that reduces the level of mutual trust....

He was saying, "Look, guys, we mean business. We don't want this confrontation, but if you keep us pushed further"—and this is where he began referring to the Russian national pet, which is the bear; the bear, once driven into a corner, loses its patience, and he doesn't take prisoners.

I think that at that time, and partially I think it's the blame of the Russian elites, he wasn't taken seriously, because under Yeltsin the Kremlin was sending all sorts of messages, but they didn't follow through with actions. But then came Georgia [in 2008], and the Russians were saying: "That's way too sensitive for us. Imagine if we were starting something in Mexico, how the United States would feel." Ukraine was, unfortunately, the logical continuation. So, again, this crisis could have been avoided if the West had listened to Putin and, in this sense, the Putin phenomenon needs to be recognised, as well. I'll make a comment about this later on.

What we have now is what the keynote speaker [Helga Zepp-LaRouche] was saying: the expanded NATO, and the crisis in Ukraine as an attempt to further this geopolitical expansion closer to Russia's borders. And, once again, we are talking about a situation where NATO's military potential is moving towards Russia's heartland, when the flying time from the closest NATO bases

to Moscow is about 15 minutes (Fig. 4). So, in fact, we are revisiting the preamble to the Cuban Missile Crisis, which was started by the Soviet decision, back then, to move missiles to Cuba.

Shown in the left-hand part of Fig. 4, as a result, is the new-generation tactical missile, Iskander, that the Russians have developed and recently deployed to the Kaliningrad exclave—East Prussia. What, effectively, does it mean this system can do? It can effectively put the whole of Western Europe within its striking range. And, obviously, it has a nuclear-armed capability.

So, hypothetically, the Europeans placed themselves, or NATO placed themselves, in a situation where now they are within Russia's nuclear reach, even at the tactical level, leave alone the strategic level. I am not suggesting for a moment that this is the beginning of a massive confrontation, but certainly you cannot develop any normal strategic relations when you have your finger on a trigger, and there is this sense of insecurity and mutual suspicion.

3. The Putin Phenomenon

We need to recognise, and I think that this is what the West finds incredibly difficult, the phenomenon of Putin. I would make an argument that he is now the world's most experienced leader. And Putin has the charisma that the majority of western leaders no longer possess. Give me a comparison, whoever is currently in charge of major European powers, or the United States, that would have the same degree of charisma and the same degree of impact. The western political elites no longer have political mammoths like Margaret Thatcher, or Kohl, or Mitterrand, or others. Also, Putin is not afraid of being politically incorrect. He speaks his mind. He is very open and transparent, and I think this is appealing not only to the Russians, but also to many in the West, who offer their support. Also, on the basis of pragmatic conservatism. Whether we like it or not, when Putin speaks now, we shut up and listen. That's an important element: the personality factor is one of the major drivers of strategic decisions, in the past, in the present, and certainly in the future.

In this sense, Russia is not driving a short-sighted agenda, as many may think, but I think Putin has a fairly clear idea of where he wants Russia to be, and he also has the means, and understands the ways, to get Russia there.

What I want to bring in here, as well, is how it affects us. I use the image in Fig. 5 to tease Australian students. What I find a bit surprising, is that in 70 per cent of the cases, the locals cannot even tell me what they see here, apart from a guess that it may be somewhere in Sydney.

FIGURE 4



FIGURE 5



[Fig. 5 shows the Martello tower at Fort Denison in Sydney Harbour, whose construction was completed in the 1850s during the Crimean War, when a Russian attack on Australia, as Britain's colony, was feared. – ed.] That is a symbol of Australia's perception of what Russia is. This long-standing threat perception, coming from the north, really overshadows some key facts.

4. The Context of Australia-Russia Relations

What I keep reminding my students, is that in terms of our engagement with Russia, we had a longer history, compared to our engagement with the United States. Yes, our diplomatic relations did not formally kick-start until the second or third year of World War II, and, yes, we've been taking turns looking at Russia as either our ally, or our geopolitical rival. And, normally, it was in the context of Russia's strategic rivalry with somewhere else: either the British Empire, or the United States, etc. But, this is something important to remember: the level of engagement between Australia and Russia has been far longer and greater, in the historical sense, than with some other major powers we consider to be our partners.

Until the crisis, we had seen some progress in bilateral economic relations (Fig. 6). I don't think

FIGURE 6



many Australians know that Russia was the world's largest importer of "roo beef". Compared to our trade with the United States and China, or Japan, it's not that fancy, but we managed to keep a volume of almost \$2 billion, just before this kerfuffle with sanctions started. So, I don't think, in times of economic turmoil, sniffing at \$2 billion annual trade is something you can really afford to do, even if you're a wealthy nation.

Incidentally, the level of political dialogue has been kept to the bare minimum, and that really represents a paradox. I think the U.S. Secretary of State visited Australia 16 times, recently; the Russian Foreign Minister visited only once, back in 2012, also to mark the 70th anniversary of the establishment of diplomatic relations.

So, there is a huge potential, but a potential that hasn't been realised. We have not featured prominently on the Russian radar screen, and Russia hasn't been really looking at Australia as a partner with which it needs to have much closer relations than what we have. So I think there is still opportunity to grow. Perhaps something can be done, also, through engagement with BRICS.

5. Confrontation vs. Cooperation

I want to finish on a slightly positive note. Once again, 2015 is a year when we'll be celebrating 70 years since the end of the Second World War. Even if we are looking at what Russia and the United States can do, and I'm not suggesting that we are returning back to bipolarity, I think there is too much at stake, to simply quarrel about issues. We still need to remember that there is a great degree of space cooperation, and the Americans and the Russians are still together as joint crews on the International Space Station. The NASA program is very much dependent on the sup-

ply of Russia boosters, without which the U.S. heavy lifters cannot take off.

There are, obviously, issues, and in this sense Russia and the United States, being permanent members of the UN Security Council, and nuclear superpowers, have extra responsibility to ensure that there is no proliferation of weapons of mass destruction. Cooperation on counterterrorism and other matters is critical. Even if Russia was asked to leave the G8, which has now become the G7, I think there are far more interesting frameworks in which to cooperate, ranging from the G20 to Asia economic forums, etc. Even now, I don't want you to have an impres-

sion that there is no dialogue happening. There are a lot of conversations happening, and there is a greater degree of potential, as was demonstrated 70 years ago, when, only because of the combined effort of major powers—this is where we need to recognise that we fought together as allies, with the Soviet Union—we managed to defeat the global evil which was Nazism (Fig. 7). We also need to recognise, and I think that would be particularly important this year, the sacrifice and the contribution that the Soviet Union made to the war effort, and certainly the role that they played in defeating the Nazis.

Finally, I want to finish off with one example. Afghanistan 2010: One of the International Security Assistance Force (ISAF) heavy lifters, a Chinook, suffered a mechanical failure, or perhaps was knocked down by the Taliban. It landed in enemy territory, and the crew and those on board were almost doomed to be captured. However, they were rescued by a Russian crew who was flying the Mi-26, the world's heaviest helicopter (Fig. 8). They simply picked them up, and delivered them safely to the allied base. Apart from a

FIGURE 7



demonstration that all the cool and sexy toys are not produced by one power, it demonstrates the true extent of cooperation, when countries, the big boys—or girls; I don't want to be sexist here—can really pull their hands together and achieve some common and positive results. To me, that picture represents that what we should be aiming for, and working towards, is collaboration and cooperation to achieve prosperity and peace. Thank you.

Discussion Excerpt

Robert Barwick: You said that there are no winners in nuclear war, which is the reassurance that there won't be one. But if one side believes they can win, doesn't that undermine that reassurance?

I also wondered if you could comment on the connection between economic crisis and strategic conflict. Europe has become more bellicose, because of NATO, as its economy has got worse, and we see that as driving the strategic crisis today.

Finally: Would you agree that, if the West were really serious in taking on challenges such as the Islamic State in the Middle East, the most effective thing it could do is to reach out to Russia for cooperation?

Dr Muraviev: I'll answer your questions in reverse order, starting with ISIL [an abbreviation for the Islamic State –ed.]. The simple answer is, absolutely. Trans-national terrorism is a global threat. I think that the Russians published intelligence earlier this year, suggesting that, out of 40-something thousand foreign fighters, fighting for ISIL, about 11 thousand come from the former Soviet Union. So, whilst we're going ballistic about certain members of our community travelling there and bringing, hypothetically, back home their experience, Russians and other former members of the Soviet Union face exactly the same challenge. In this sense, if you really want to eradicate it, then we need to bring in all members.

Even in regards to what the Russians are doing there, I don't think we really understand their contribution. Before the coalition decided to launch air strikes on [the Islamic State in] Syria and Iraq, the Russians supplied the Iraqi military with advanced military hardware, including strike aircraft, which, once they became operational, were sent into battle immediately. And the Iraqi military managed to hold back some of the ISIL offensive, but somehow we just present that this is not happening.

Economic crises and strategic conflict: yes. There is

FIGURE 8



direct input there, because war is a business. It's a dirty business, but war can be viewed as a strategic diversion from problems at home. It can also instigate some elements of industry, naturally the defence industry, and mobilise communities, etc. It has been long established that economic crises contribute to instability and conflicts.

No winners in nuclear war? Yes, when there is a notion of so-called mutually assured destruction, MAD, that's something of which both the United States and the Soviet Union came to the realisation—the United States came to the realisation at the turn of the '70s, when the Soviet Union caught up with them. However, the result is this inclination to achieve superiority.

I want to make a reference to President Obama's initiative of achieving so-called "global nuclear zero". He talked about, why don't we just strip ourselves of nuclear weapons and weapons of mass destruction. Well, on the one hand, it sounds really nice and promising, but it happens at a time—and this is how I can explain why the Russians resist it—when the United States military is developing new generations of conventional systems, which would give them the same capabilities as nuclear weapons, without necessarily going nuclear. This is a way to overcome MAD and achieve superiority. And that actually can provoke a new arms race, a technological arms race, because other powers, like Russia, like China, are now seeking to acquire similar capabilities, or come up with an asymmetric response. So, currently we are living in a period of relative strategic parity, but the result is this temptation, on both sides, to have an upper hand, because, whilst I'm still doubtful that we'll ever see a thermonuclear war—well, if we see it, it will be a really short observation—nonetheless, getting the upper hand allows you to engage in political and military blackmail, which continues to remain one of the pressure points, or mechanisms, to pursue agendas.

The Power of the BRICS Process: Views from the United Kingdom

Introduction

Gabrielle Peut

CEC Executive Member

Good afternoon, everybody. We have three speakers representing views from the United Kingdom. The format is video interviews, which Glen Isherwood and I recorded last week in London, expressly for this conference. Each speaker is introduced in detail on-camera, so for now, let me identify them only very briefly. They are two senior members of the House of Commons from the British Labour Party—the Right Honourable Michael Meacher and the Honourable Jeremy Corbyn; and, from the Conservative Party, Robert Oulds, who is the Director of the Bruges Group, an organisation that drew its name from a September 1988 speech given in Bruges, Belgium by, ironically enough, former Prime Minister Margaret Thatcher (for whom, as you know, we have no love), but the Bruges Group includes a number of prominent Conservative Party MPs, among others, and is strongly opposed to the tyrannical European Union and to confrontation with Russia.

You will thus hear from different parts of the conventional political spectrum in Britain, in a way that shows the possibility of collaboration, right across the spectrum, on matters of principle like Glass-Steagall banking separation, cooperation with the BRICS, and stopping World War III.

Mr Meacher is one of the British Labour Party figures (from a grouping in the UK that is kindred to “Old Labor” here in Australia) who fought against the “liberal imperialism” policies of Tony Blair and in 2007 personally challenged Blair’s successor, Gordon Brown, for leadership of the Labour Party. Mr Corbyn, also a member of the House of Commons for several decades, is especially famous for opposing Blair on launching the Iraq War. Both Mr Meacher and Mr Corbyn were very active in the intense Parliamentary debate that resulted in the dramatic UK House of Commons vote against authorising the bombing on Syria, in August 2013.

For more than two decades now, the CEC has played a consistent leading role in the international LaRouche movement’s battle against the murderous policies of the British Crown, and the continuation of British imperialism in whatever guise, including



Gabrielle Peut, CEC Executive Member

when British-style imperial policies are wrapped in American clothing, as under Bush and the Obama administrations. That August 2013 vote against the Syria bombing, as well as the intense fight within the British Parliament over Glass-Steagall banking separation—about which you will now hear much more—made clear to us that there was serious opposition to these policies from within the UK, as well. In the debates throughout 2013 on the *Financial Services Reform* bill, amendments for full Glass-Steagall—not the fake reform called “ring-fence”, but full Glass-Steagall banking separation—lost by a mere nine votes in the House of Lords, and by fewer than 50 votes in the 650-member House of Commons. It was a stunning debate.

The main literature we produced in 2014, therefore, we also sent into the UK. The November 2014 issue of *The New Citizen*, as those of you who read it and mass-distributed it in Australia know, was addressed to a British audience, as well. Thanks to the help of people in this room, we were able to mail our Glass-Steagall pamphlet and *The New Citizen* to every

member of the House of Lords and the House of Commons, and to every member of the Scottish, Welsh, and Irish national parliaments, and to every bishop of both the Anglican and the Catholic churches in the United Kingdom. Notably, the head of the Anglican Church Dr Justin Welby, had spoken passionately for Glass-Steagall during the 2013 parliamentary debates.

As a result of the positive response and follow-up to these mailings, I was able to visit the UK in October 2014, with my good friend Robert Barwick and Glen Isherwood, in conjunction with our travel to attend the international Schiller Institute conference in Frankfurt, Germany; and again, with Glen, in March 2015. There is great interest in the policies of LaRouche, the Schiller Institute, and the CEC, on all these vital issues for mankind, in many different layers in the UK.

Before we move to the videos, I am happy to announce that two of our British speakers today have endorsed the Schiller Institute petition titled “The U.S. and Europe Must Have the Courage to Reject Geopolitics and Collaborate with the BRICS”. They are Mr Meacher and Mr Oulds, among the several new supporters of the petition from the UK. Another is Professor Prem Sikka, an economist at the University of Essex, and a key adviser to Labour MPs.

Please now listen to Mr Meacher, Mr Corbyn,



and Mr Oulds. My interview with Mr Corbyn has been slightly abridged.

Let me also just decipher a couple of the acronyms and names of things, used by Mr Meacher:

You'll hear “SNP”, which is the Scottish National Party.

The “Trident” program refers to Britain's nuclear-armed submarines, which are based only in Scotland.

George Osborne, mentioned as setting up the so-called Vickers Independent Commission on Banking, in 2010, has been Chancellor of the Exchequer in the Conservative cabinets since that year.

Without any further ado, we'll now play the interviews.

Glass-Steagall and Directed Credit “in the Interests of the Common Good”

Michael Meacher, MP

Recorded 19 March 2015, London

Gabrielle Peut: Good afternoon, I am here in Westminster, London. Joining me today is the Right Honourable Michael Meacher. Good afternoon, Michael.

Michael Meacher: Good afternoon.

Peut: Thank you very much for your time.

Meacher: Very pleased to give it.

Peut: By way of introduction to our audience, you have been a life-long member of the Labour Party and a Member of Parliament for 45 years, including 29 years on the front bench and 11 years as a Cabinet Minister. In 2007 you challenged Gordon Brown for the leadership of the Labour Party because he was just a continuation of Thatcher and her brutal austerity policies, and of course we had Tony Blair, on behalf of the major banks and

super-rich. In 2013 you wrote a book entitled *The State We Need: Keys to the Renaissance of Britain*, in which you called for sweeping reform of the economy of the UK and for the world as a whole. I would like to ask you a few questions about the pathway you outlined there, for the recovery of the physical economy of the UK, as well as for the world as a whole, but I first want to start with what is drastically wrong with the current system, and, of course, some of the breaking developments.

We know, on top of all the criminal activities of the major City of London banks, such as fixing the LIBOR rate, which of course is the world's benchmark for interest rates for many things, including home mortgages; we have manipulation of the foreign exchange market, which is the largest market in the world; and we have



UK Labour statesman Michael Meacher, whose book reflects his passionate commitment to the Common Good.

had the drug money-laundering, as well as the mortgage scams and many other scams taking place. Most interestingly, we now have the Serious Fraud Office investigating the Bank of England for complicity with the big banks, in the rigging of the markets.

You also wrote that, given the present financial structure, and I quote here, “another financial crash is inevitable”. Since you’re so close up to all these events, I would like you to comment on the extent of this criminality, as you see it, and why this crash is inevitable, unless we implement Glass-Steagall legislation, and very soon.

Meacher: I think it is inevitable, as long as the investment and retail arms of the banks are not separated. It is very significant what happened—I think it was 1933 that Glass-Steagall was enacted in the U.S. and it was repealed, very unwisely, by the Clinton administration in 1996 [1999 –ed.], I think. And that was 63 years, in the course of which there were no major banking scandals. There were some financial breakdowns, but not on any large scale.

After 1996, within 12 years, we then get a massive crash which crossed the whole world, but which began in Wall Street and the City of London, and was really based on the banks and their misuse of the subprime fiasco in order to spread and disseminate derivatives, which are highly lucrative across the world, at a very high profit to themselves. But it turned out, because the people who were at the base of it, were supposed to provide the value of the asset, the subprime mortgage owners, of course couldn’t maintain their mortgages and then in the end so many of them crashed, that those assets were worthless. The fact that the banks did that on the scale they did, I think is staggering.

The Queen asked why is it, that no-one foresaw the crisis coming. Well, a few people did, actually, but not many. But, I mean, the system is absolutely rotten. The level of regulation is very poor, and that of course is partly because in this country, in the UK, Blair insisted on what he called “light regulation”—light regulation virtu-

ally meaning no regulation at all. He was persuaded of the U.S. view, the U.S. ideology, the so-called “Washington consensus”, that the market should be the driving force, we should have deregulation of finance, we should have privatisation of all public institutions and public services wherever possible, the trade unions should be kept firmly in check, and, lo and behold, you will get increasing inequality, and once again the rich and the powerful will do very well.

Blair, after 18 years of Tory government, with a majority, I think, of something like 250 in the House of Commons, could have done anything. He chose to maintain that ideology, and within 10–12 years we have a crash. That ideology has not changed. The only things which have been done, are the imposition of higher capital ratios, that is the amount of capital which a bank must have in order to spread its lending, which has been 25 to one, and I think it has gone up to 33 to one. These are proportions which are totally irresponsible! That has been changed under the Basel III arrangements, but it isn’t to come into operation until 2019! As though we had all the time in the world, leisurely, to walk towards this.

Well, I don’t think anyone can immediately predict exactly how it is going to happen, but the banks which in 2008/09 were regarded as “too big to fail”, so they had to be bailed out, are now, all of them, both on Wall Street and the City of London, substantially bigger than they were. Their dominance is even greater. There is no sign of remorse, or of a wish to change. They simply want to go back to the status quo ante, to the situation which they dominated, including the politicians, with all three of the main parties in the UK, frankly, I won’t say beholden to them, but accommodating them, to a degree to which one does ask, “Who actually runs Britain? Is it the banks or is it the government?”

So in that situation the banks are, I think, greedy. I think the level of bonuses which we are seeing, even at times when average wages in this country have gone down 8 per cent in real terms, on average; the bonuses are still enormous. The level of profit which they are demanding from high-risk speculation, hasn’t changed. The level of productive investment in the UK is far too low compared to other countries, especially to the Asian countries, and the money is lent not to industry, not to manufacturing, not to public services; it is lent on foreign speculation, it is spent on tax avoidance on an industrial scale, as we all now know. It is spent on derivatives which, for a time, they suppressed because of the public outcry, but it has now expanded to a market which is just colossal. I think we are talking about 10 or 15 or 20 trillion, or even more! I mean, just staggering totals. And there has only got to be just one flaw in that colossal pyramid, and the whole thing could break down.

The Change Has to Be Glass-Steagall

So, for all of these reasons: like the Bourbons, as we say in this country, they have learnt nothing and forgotten nothing. There has been no absorption of the causes of this crash, no commitment to fundamental change. It's not surprising that this has happened with a Conservative government, because the Conservative government in this country gets half of its income every year in donations from the finance sector, so they are not going to make any changes. But the Labour Party has still, in my view, been extremely cautious, not to say timid, in being prepared to make fundamental changes.

I think that has to be Glass-Steagall, right at the front. I think the banks need to be broken up. We have the Big Four who dominate 85 per cent of retail accounts in this country, and I think that is not competitive. You feel, if you are in one of these big four banks (as I am, I have to say), what is the point of changing, because they are all the same? They are not identical, but there is no real fundamental difference. And you need real competition. You need many more entrants into the market, and the Big Four prevent that happening.

Peut: We do have coming up the elections in the United Kingdom, which by all accounts, it would appear to be, with the SNP vote growing enormously in the north, that there seems to be a backlash against the Conservative government. So therefore there is a potential of a much stronger, if you like, Labour-leaning, or even Labour winning the right to govern, coming out of this election. Where do you see Glass-Steagall at that point? What potential, considering that 250 people in the House of Commons in 2013 voted for Glass-Steagall amendments to the Financial Reform Bill? How do you see that playing out, post-election?

Meacher: Well, that's a very important figure you have just mentioned—250 is very substantial. It's still a minority, but it is a very, very big minority. There are 650 members in the House of Commons and they are never all there, so 250 is a very large section. Now what will happen if we have a Labour-SNP (Scottish National Party)—it probably won't be a coalition, but some kind of arrangement, some kind of deal/pact that the SNP will support the Labour government over crucial things like the budget or constitutional issues, or votes of confidence, and they would seek, of course, to get their pound of flesh, as to what they want.

I think it is very significant that what Nicola Sturgeon, who is the new leader of the SNP—and the old leader of the SNP, Alex Salmond, is almost certain to be an MP in the House of the Commons, so both the Leader and the Deputy Leader of the SNP are now in a very strong position, and they will certainly work together—what Nicola Sturgeon was demanding, was two key things as part of a potential deal. One is to move away from austerity, which I think is absolutely fundamental. And I can't help



Nicola Sturgeon, the new leader of the SNP, and former SNP leader Alex Salmond.

thinking that it is very curious that, from my position in the Labour Party, we might have some kind of pact with the SNP, which is pushing the Labour Party to the left, not the other way around. The other is the abolition of Trident [the British nuclear-armed submarine program, based in Scotland]. These are both fundamental points.

What would that architecture, what would that configuration produce in terms of Glass-Steagall? I don't exactly know, because the subject in the last couple of years hasn't come up again, but because I would think that the next House of Commons is definitely going to be to the left, I am not sure how far, but I would have thought there is a pretty reasonable chance that this will come up early in the new administration, and that it is quite possible that it will pass.

Now, let me give the argument against that. [Conservative government Chancellor of the Exchequer] George Osborne deliberately set up a Commission to look at this issue, of how to maintain separation between investment and retail activities of banks, and he set up Vickers, as the Chairman, and they produced a report, and as I am sure you know. What they recommended was not a split, but that there should be what we call "Chinese walls". Well, Chinese walls refers to the sort of fantasy idea that you have the same organisation, and over there you have the investment arm, and over there you have the retail arm, but they never meet and they never talk to each other, and they are completely independent. The whole idea is ridiculous.

Even if there was some separation, the one thing that the City of London is good at is regulatory arbitrage, finding a way of getting round the regulation and the rules. They have some highly paid lawyers who are very skilful at that. So that is due to come into operation, and the real test will be for the new Parliament, are we going to accept that, which I think is totally inadequate to do the job, or do we have to wait until it has been in operation for two or three years and it's failing, or are we going to take a big step now and say, "I'm sorry, it hasn't been implemented, we don't want it, and we are going to go for the proper thing"?

And we do need to talk to other countries. We could

do it ourselves, of course, but I think it would be much more effective if we could get agreement with Germany, France, Spain, Italy, etc.

Peut: Once Glass-Steagall is implemented, obviously, you have to have a vision; you have to have a following policy to rebuild the economy, which is in terrible condition. In your book you called for introducing policies of “directed credit”, in order to foster a major renaissance in manufacturing, in particular; in order to restore some life and some sanity back into the British economy. Could you elaborate on that?

Meacher: Yes, certainly. At the present moment, as I have already said, the banks are the body through which industry tends to get its finance, but, as is well known in this country, the banks in the last five years have not been lending to industry. I think in each of those years, the banks have been lending less to industry than they have received back from industry, repaying loans. So the amount of new finance for new investment in new industrial projects has diminished all the time. And the real reason, of course, is that the government tried to get the banks to do more bank lending, and they used this system of quantitative easing, which is printing money and then bond-buying, in order to put much more money in the hands of the banks, in the hope that they would lend to industry. But what did the banks do? Because they had to be bailed out and their balance sheets were so weak, they used the money to consolidate their own weak balance sheets, and consequently it never really got through to industry.

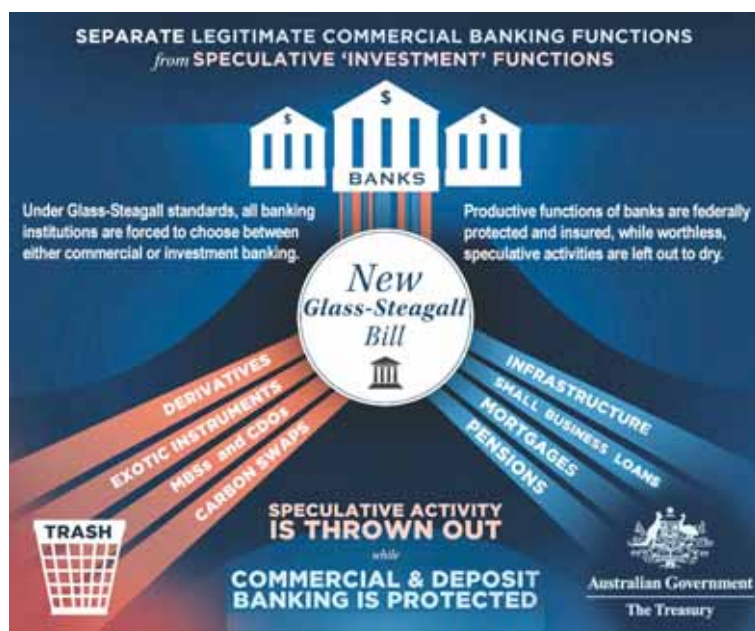
I’m saying, cut the banks out altogether. They ought to be doing that job, and I will come on in a moment to why we should be able to make them, because, in my view, the banks having behaved in the way they have done, over the last two or three decades, makes it perfectly clear that we cannot trust them to carry through their fundamental function, which is to take deposits from individuals or organisations and use it for industrial investment. They haven’t done that, and they are so important to the economy, and there is no reason I can see why they have changed their view on this. I think they should be taken into the public sector, and we should therefore direct it ourselves, in the interests of the common good and the welfare of the people and the economic growth of the economy.

The real reason, I think, for directed investment is that the banks aren’t doing it. We ought either to do it by taking over the banks, or we use quantitative easing—this is an alternative route—but instead of giving it to the banks, we print the money and we have a national economic council, together with key industrial leaders. I would involve the trade unions in this as well, together with the government, deciding where are the areas that we are going to invest. So we do it directly and we cut the banks out. That is what I mean by directed investment

Asia and BRICS

This is what the Asian countries have done. I am not saying we should be like China in terms of top-down. I think that is a degree which is not acceptable in the West now, but they have made up their mind the kind of objectives they want to see for the economy, and they have used the mechanisms that will secure that. Well, I am in favour of that! If this mechanism doesn’t work with the banks, then remove them! Or take them over and make sure it does work, rather than trying to make a machine work that is patently going in another direction.

Peut: And it is one of the things in the concluding chapter of your book, called “The Global Architecture of National Interest Capitalism”. It was very prescient, I thought, because you called for the creation of a new, just, world economic order, which you forecast, already, would be led by the “fast-emerging and soon-to-be-dominant economies of east Asia and parts of the Southern world.” You wrote that in the East Asian model, “[M]ost bank credit was allocated to productive use”, and that, “This intervention in credit allocation was widely recognised to underpin the east Asian economic miracle. Japanese-style window guidance was also adopted by China in the Deng Xiaoping reforms of the 1980s,



The original *Glass-Steagall Act of 1933*, was a crucial instrument in U.S. President Franklin Roosevelt’s program to lift the United States out of the Great Depression. It barred banks holding savings and deposits, i.e. commercial banks, from engaging in the more speculative financial activities of investment and merchant banks, and therefore protected these commercial banks as lenders to the real economy: agriculture, home construction, businesses and industries.

which laid the foundations of the very high and sustained economic growth that did not fall foul either of the Asian economic crisis in the late 1990s or of the global banking crisis of 2008.”

Meacher: Absolutely. I think that is entirely correct. They have a model which works. And that is exactly what I think we should do, and I think the BRICS is a new innovation on the east side of the world, which is actually going to implement this.

Peut: You were describing precisely the emergence of the BRICS. And, of course, you very much think that Britain should orient towards the BRICS.

Meacher: Well, I am in favour of that, for two main reasons. First of all, the world distribution of power at the end of the Second World War favoured the five countries that form the Security Council: the United States, UK, France, China and Russia. Well, the world is now very different. It's now 60, 70 years later, and the world is far more multipolar. There is no doubt that the centre of economic gravity has moved east, and will continue to move east. I think, frankly, that is a way of rebalancing the world in a fair and proportionate and helpful way. I think the West has dominated for far too long. I mean, I am a member of a Western nation and I think there is a lot that is good about Western nations, but there is no question that the U.S., with the UK as its rather small partner, has always sought to dominate.

The second reason is that if you take the institutions set up at Bretton Woods in 1944, the World Bank to assist the poorer nations, at least allegedly that was what it was for, as opposed to using it as it has been used, to promote Western trade and Western power and Western dominance over weaker countries. Secondly, the IMF, which was to deal with all countries which failed to keep up with the capitalist model, by then requiring, if they were going to be bailed out, that they should cut wages, that they should reduce public expenditure and open their economy to imports from, believe it or not, U.S. multinationals. So it was always, once again, giving help, but in a way which was designed to reinforce Western dominance. And the third is the WTO, the World Trade Organisation, which, again, has a view of capitalist trade which is not necessarily shared by other states.

All of those three, as I say, I think were basically set up to ensure a system by which global capitalism could work, dominated by the biggest powers, i.e. particularly the U.S. Now, the BRICS (Brazil, Russia, India, China, South Africa) are also very big and powerful countries and they resent western dominance and U.S. control, and I think that if I were not British, but Chinese or Russian, I would have a similar view.

I think the West, in military terms, has pushed ever further towards the Russian border, and what has hap-

pened in Ukraine is awful. It is a terrible tragedy, and the West of course blames Putin for this, but I am sure Russian nationalists, of whom he is one, see the Western push right up to the borders of Russia, as something very threatening. And as I have said, what would we have felt, or what did we feel, when the Russians tried to import weaponry into Cuba in 1962? We said Cuba is not allowed to make up its mind who it's going to be friendly with. They are 90 miles off the U.S. border and we are going to stop this. Well, okay, rightly or wrongly, I understand that. But why shouldn't Russia behave in the same way? Because I think their situation is very similar.

I think the West has got to understand that it is not going to indefinitely boss the world. America has weakened, relatively, as a result of the very unwise interventions into Iraq and Afghanistan, and is clearly not able to control the rest of the world in a way that it once did. Obama, of course, I think, doesn't actually want to involve America in further wars and further intervention in other countries, although his predecessor and his likely successors may well do so.

So I do support BRICS. The Chinese have also set up a new bank for development [the Asian Infrastructure Investment Bank], which, perhaps rather surprisingly, even the coalition government has decided to join or support, much to the chagrin of the United States, but undoubtedly not because we support it as an institution, but it could be good for trade. So there is always some other motive!

I think BRICS is a very valuable alternative. It is based on peaceable development. It is based on a much more equitable development across the world, than would ever be produced by capitalist domination. We always talk about how far fewer people are now in poverty across the world—that is mainly of course in China—but capitalism dominates. It does ensure economic development, but at a price, by polarising society between the rich and poor. I hope that BRICS is going to find a better way of doing this.

Peut: Thank you very much for your time. What I would like to ask you, is if there is anything you would like to conclude today's discussion with, your vision and your hopes, to the Australia people?

Meacher: Oh, to the Australian people, in particular? Well, we always watch Australia very closely because many people think the way Australia goes, is the way the UK does, and you are a relatively—relatively—new country, and one which is, I think, less hide-bound by tradition than we are, which is an advance, and also one which is quite innovative in a way that the old, encrusted nations of the north and the Western world are bound by.

What can I say to the Australian nation? We look to you, to find a way out of these problems. There is no single obvious solution which people have all agreed about

as to escape, once again, the disaster of 2008–09, which I think could easily be repeated. And I think a country like Australia could well make a contribution to this. All of the European nations which, I think in the past have been pretty creative, really, either under the impact of the eurozone or because of Angela Merkel, and because of austerity—I won't say they have gone to sleep, I don't think that is so, but they are no longer inventive, innova-

tive, dynamic, thinking about the future. And we look for other countries to do it. Australia is sovereign in its own right. It is not bound by any conventions or alliances which cripple it in any way. We are over-bound by the United States. I think there is a great opportunity for Australia to show the way, and I hope you will.

Peut: Thank you very much.

Moving into “a Very Interesting Century”

Jeremy Corbyn, MP

Recorded 20 March 2015, London

Gabrielle Peut: Good afternoon. I am here in Westminster, London, and today joining me is Labour MP, Mr Jeremy Corbyn. Good afternoon, Jeremy. Thanks for your time today, because I know you are very busy.

Jeremy Corbyn: You're very welcome. Nice to see you here.

Peut: For the benefit of our audience, you have been a member of the UK parliament since 1983, 32 years now, and if I were to list everything that you have done, the leading roles you've had in your political career, I think we would be here all day. Just to mention a few of them, you are the national chairman of the “Stop the War Coalition”. You're the national vice-chairman of the Campaign for Nuclear Disarmament, and the chair of its parliamentary group in Westminster. You've also been active in many human rights cases and have taken a particular interest in defending nations in Latin America, as vice-chairman of your parliamentary group for Latin America, the secretary of your parliamentary group for Mexico, the secretary of your parliamentary group for Venezuela, and also you are a member of the all-party groups for Brazil, the Caribbean, Cuba and the Dominican Republic. You have also campaigned to defend Argentina against the predatory vulture funds that were trying to loot the country. Obviously, being involved in those groups, you would know the BRICS meeting that took place in Brazil in July 2014, where they inaugurated the dramatic escalation of the BRICS process overall. How do you specifically see that impacting Latin America as a total?

Corbyn: I think it's fascinating, looking at the process in Latin America. I am very involved in Latin American issues and have been ever since I went there as a 19-year-old, in the sixties. I had been working in the Caribbean as a youth worker and teaching, and then I went from the Caribbean to Latin America



Jeremy Corbyn, MP

and I went all around the continent on my own. And it was a fascinating time. This was a time of military government and American domination of the whole continent—brutal. And this was just before President Allende was elected in Chile and three years before he was assassinated. Interesting period.

Take it forward now, and Latin America is a totally different place, in that there is a greater division between the North and South American continents than there's ever been. There's less direct U.S. control over the economies, or politics or military of most of Latin America than there was in the past. There is a huge political debate between, broadly speaking, the ALBA pact countries of Cuba, Venezuela, Ecuador, Bolivia and the more pro-American ones such as Peru. And to some extent Brazil, although that comes and goes, and very close American domination in Mexico.

So, if we take the things separately. First of all, in the case of Mexico, massive human rights abuses continuing, a hundred thousand people died or disappeared in the past decade and a bit. The 43 students

who disappeared from Ayotzinapa were an example of how bad it is, but they're only part of the whole story. And two weeks ago we had the visit of President Peña Nieto from Mexico to Britain, extolling the virtues of a market economy, selling off of natural assets, or exploitation of natural assets, to British companies and the marketisation of the Mexican economy in line with the North American Free Trade Agreement (NAFTA). So they see there an economic relationship between the USA, Canada and Mexico, which is actually very damaging to the interests of small farmers and the working class in Mexico, not to mention those that live in marginal existence.

Mexico is not part of the BRICS process, but there is some, not a huge amount, some Chinese involvement in Mexico, but not as much as in other countries. Central America, there is a very big Chinese involvement. They are funding the possibility of a new canal through Nicaragua and they are funding quite a lot in Costa Rica. Move further south, and what you've got there is a government in Venezuela under pressure from the right in Venezuela, to try and create problems and shortages and difficulties for them. But very interesting, the ALBA pact works in terms of promoting trade through reducing the gap between the rich and the poor and improving the life chances of the poorest young people. That's got to be a good thing.

The BRICS process is essentially an alliance, as we know, of Russia, China, Brazil, South Africa. What does it mean for the continent as a whole? I suspect it means, in the long term, a much larger level of Chinese investment throughout South America and much greater trade with China, because the possibilities of increasing trade between Latin America and South Africa are fairly limited, since they are broadly producing similar kinds of things. Ditto Russia. It is China that is the big consumer of natural resources and Latin America is the big consumer of industrial and other products, so I see the development in that way.

Peut: One of the things with China, and of course the Brazilian arrangements, is the question of "the advantage of the other". You mentioned the consumption of industrial goods, coming back from China, and the BRICS as a whole is looking at that collaborative exchange; it's a cultural paradigm shift for the world. Do you see it in that context?



Huge anti-Iraq War protests erupted in Hyde Park, London in 2003. Jeremy Corbyn fiercely opposed the Iraq War, in the House of Commons.

Corbyn: Yes, it's an interesting historical reversal of trends. We think of history in far too short-term a process; we think of history as the last 50 years, 100 years and occasionally a bit longer than that. Essentially we look at a period when there's been European economic and cultural domination of the planet, which came with European expansion principally in the 18th and 19th centuries. It started before that, but principally then, and the relative decline of China from being incredibly powerful in the 15th/16th century to its lowest point, which was in the 19th century when it was virtually colonised by Europeans.

What we see is a historical reassertion of China's role in the world. And because technology, communications, everything, has moved on quantumly since that time, it's going to be a very interesting century that we move into, and people are going to have to reckon with China's economic power. And in a sense their economic model has been very clever, in that they have a relatively controlled and closed economy, they have a fixed exchange rate, they can depress the value of their own currency, suck in loads of dollars, and now more dollars than the USA. It's very clever.

Opposing War

Peut: The overall political situation globally is extremely fragile. You fiercely opposed the Iraq war in 2003, and in 2006 you were one of six Labour MPs to back the call by the Welsh Party, Plaid Cymru, and the Scottish National Party, for an inquiry into the Iraq war. Among other things, that led to calls for the impeachment of Tony Blair for having lied outrageously for starting the war in the first place. Now, again, we have a steady escalation of NATO troops and manoeuvres in Eastern Europe, and around Ukraine. You had the coup d'état that was run by the far extreme right wing groups, and then Russia being named as the aggressor, in terms of the whole Ukrainian situation, and yet it was foisted on them.

So, we are potentially on the verge of a thermonuclear crisis. You have spoken out strongly against this escalation and said that NATO should be disbanded, but how much is this war danger understood at present in the UK, and what actions are being taken against it? How do you see the alternative of “peace through development”, as Pope Paul VI once put it? It really is embodied in the BRICS process, in terms of the collaboration for peace through economic development, as opposed to what we are getting from the UK and the U.S. now.

Corbyn: A number of things. That aspect of the BRICS development is the good one, because it is an alternative strategic view of the world which doesn't include the United States or Europe, and that is culturally, historically, very, very significant. That part of the BRICS process I absolutely welcome. What concerns me is the level of exploitation of natural resources that goes with some of that development, so it's not a zero sum game.

On the questions of global peace, I think there are two significant dates—1989 and 2001: 1989—the fall of the Berlin Wall, collapse of Comecon [the Soviet-led Council for Mutual Economic Assistance –ed.], collapse of the Warsaw Pact, collapse of the Soviet Union, and a period of mass privatisation and marketisation in Russia, and a period of deep corruption in Russia, for which we are all still paying a price. 1989–90, with the collapse of the Warsaw Pact, should have been the time for Mikhail Gorbachov's vision of a common European home, should have been a time for the Organisation for Security and Co-operation in Europe to take over. And instead, NATO panicked, because NATO is a very powerful organisation and it has a North Atlantic centre to its ideal; that is where it comes in the name. But it is also a massive cooperative buyer of arms, particularly from the U.S. and, to some extent, European arms industries. It is a self-perpetuating power structure. It panicked in 1990, because suddenly the whole *raison d'être* of opposing the Soviet Union had disappeared. In English terms, “the fox had been shot”. There was nothing to chase anymore.

I remember the early nineties, these endless strategic breakfasts one was invited to, to discuss the possible threats of the future, and they kept running computer models about where the war threat was coming from next. So they were sort of looking for it. What do we do, what do we do, what do we do? How do we justify our existence? I remember a long meeting we had with British Aerospace, as it was then called, BAE Systems now, about the future of an aircraft factory near London. I was making the point that surely we should be pleased about the drop in defence contracts, and what we needed was a process



Corbyn: “If ever there was the wrong man in the wrong place at the wrong time, in the wrong occasion historically, it has got to be George W. Bush as president of the USA in September 2001.”

of arms conversion, and the gentlemen—they were all gentlemen from BAE—said, “Yeah, we can make anything. We don't have to make weapons. We don't have to make war planes, we can make anything, but we do need the orders to do it, we do need an arms conversion process.” It never happened. It never happened!

NATO continued to look around for a strategic reason. Instead of using the opportunity of the 1990s for disarmament, for *détente*, for arms conversion exercise and a more positive role for Europe in the world, what instead happened, was an increasing of American power in the world. We saw the beginnings through Jesse Helms, and the others in the USA, of the Heritage Foundation and then the Project for the New American Century, and then came 2001.

Now Bush, if ever there was the wrong man in the wrong place at the wrong time, in the wrong occasion historically, it has got to be George W. Bush as president of the USA in September 2001. Obviously what happened was appalling, the World Trade Center and the deaths that went with it. The response of invading Afghanistan was, of course, amazingly successful. It wasn't very difficult for the U.S. Air Force to bomb and invade Afghanistan. The thing is that just like Russia before them, just like the British before them, just like everybody else before them, they couldn't hold the ground, and the British and Americans are forced to withdraw with their tails between their legs 14 years later, thousands dead, billions spent and the war spread all over the region. We then had Iraq, we then had Libya, we had Mali. We've had war after war after war, and in 2006 we had the NATO summit in Lisbon, which gave itself an out-of-area status, which gave itself a global role.

So we have NATO developing into a global role, essentially protecting Western commercial interests and fighting for resources around the world and becoming a creature of the arms manufacturers.

And the schism between the perceptions of Islam and the perceptions of the Western-Romano Christian tradition are now bigger than they have ever been and the bitterness is worse than it's ever been.

Terrorism Funding and the International Banks

Peut: You fought against the relentless expansion of the draconian anti-terrorism laws in the United Kingdom, and in an interview you gave in December 2014, you said, “While ISIL, or ISIS, didn't come from nowhere, it didn't all emerge in a few weeks. It's been growing for a very long time, it's very well armed, very well equipped and very well financed.” You went on to elaborate that “somewhere along the line, that money has been transacted from the world's banks in general, from the world's arms industries”, as you were just expressing, “and much of that equipment, one suspects, may have well come from a combination of the Gulf states and Saudi Arabia”. You said that, although military force has to be used against ISIS, even more importantly, “There has to also be a concerted pressure on ISIS funding and sources of arms, because that is the key to it all.” Would you elaborate that further?

Corbyn: ISIS is very well-funded, as I said, and very well resourced and quite well organised, and it appears to be emanating as much from the huge supply of Western weaponry into the Gulf region. Think of the amount of arms sales that have gone to Saudi Arabia, billions worth of arms through the Al-Yamamah arms contract alone to Saudi Arabia, a British base now being constructed in Bahrain, the first one for many, many years, expansion eastwards and arms sales to UAE, Bahrain, Qatar, all across the piece, and ISIS forces that control parts of Iraq. Where do they come from? They come from the deliberate break-up of the Iraqi Army after the invasion; they come from the looseness of weapons supply in Iraq at that time. So, to some extent, it is a reassertion of the old Ba'athist regime in Iraq, because they were never included in any post-invasion process. We need to examine that in some detail, but we also need to examine the funding issues surrounding it, because they are selling oil, quite clearly. That money is being processed somewhere. Which Western banks are involved in transferring that? HSBC got done over for transferring vast amounts of drug-related money in



Prince Bandar Bin Sultan and Prime Minister Margaret Thatcher. In 1985, the Saudi and British governments began negotiations on the arms contracts known as Al-Yamamah, involving large orders for British Tornado fighter planes, helicopters, tanks and ammunition. The top supplier was Britain's BAE Systems and its predecessor, British Aerospace, to Saudi Arabia in exchange for 600,000 barrels (95,000 m³) of crude oil per day, supplied to the British government and the BP and Royal Dutch Shell oil companies. The scandal was the diversion of these monies into the funding of global terrorism and wars.

Mexico. Who is going to get done over for all this ISIS money that is floating around?

I would look at it two ways. One is to cut off the supply of arms and money that ISIS develops, but also some sort of process so that the people in Iraq and Syria feel a sense of security in their lives, rather than being stuck between a war between the rather shadowy leadership of ISIS and the more obvious and open leadership of the USA and the West, of propping up a government that is selling off the oil resources very cheaply. It's not a happy position to be in, if you are a poor person stuck anywhere in Syria or Iraq. ...

As to the wider question concerning Saudi Arabia and its involvement, that is a very important one, because the British involvement with Saudi Arabia is huge. Historically, the Foreign Office got it wrong. They thought there was no oil in Saudi Arabia, there was only oil in the Gulf states, so they handed this massive area they named Saudi Arabia to the current royal family there, who later discovered there was oil there. It was all a bit late for the British, and so basically American oil companies got it rather than BP, so BP is much more powerful in Iran than they are in Saudi Arabia, even now. And we have created this huge powerful force, massively armed, deeply abusive of human rights, and it is all very muted. Any criticism of Saudi Arabia is very muted. I raised Saudi human rights abuses the whole time in Parliament and at the UN and all these places, and they say, well, they are a big arms buyer. Well sorry, if you believe in the Universal Declaration of Human Rights, the name is in the title—“Universal”.

I think we have to be far more assertive on human rights issues, but, quite honestly, every government

to some extent tailors its human rights concerns to its economic and military interests. In the case of the West, to the most extraordinary degree. In the case of Saudi Arabia, ministers glibly tell me here that they welcome the direction of travel of Saudi Arabia, and quiet diplomacy is more effective than making a noise outside. I'm not sure about that! I think you promote change by making a lot of noise about human rights abuses and standing up for people that are being abused, and that is what I spend my time doing.

The Need for Glass-Steagall

Peut: To end on a more positive note, because it is interconnected with the crisis we are seeing in the Middle East, in 2013 you voted for Glass-Steagall. This was one of the reasons we came to the UK, because it was such an extraordinary debate that happened on the floor of the House of Commons, that a lot of people missed it in the world, and I am sure even here in the United Kingdom. Would you say something on the necessity for Glass-Steagall, which would change everything?

Corbyn: Glass-Steagall had its origins in the USA in the 1930s—the separation of speculative banking from normal savings banks, and it was a revolution in the USA. Five thousand banks had already collapsed at the start of the recession, ... and what Glass-Steagall did was separate out and give a degree of regulation to banking, to protect depositors so that people had confidence to invest in a bank that they knew was not going to run off and buy futures in cocoa, oil, coffee or whatever anywhere around the world—highly speculative or property speculation.

The systematic deregulation of the banking systems of the West followed Reaganomics of the 1980s, Thatcher over here, and what was known as “Big Bang” in the City of London, when all this regulation was taken away and the banks were encouraged to be speculative. It was like

reinventing the South Sea Bubble of the 18th century, and that resulted in a lot of loss and a lot of misery for a lot of people. What Glass-Steagall does is create a secure savings environment, that people can put their money in and know that it is going to be okay, and that they are going to get it back and that they are going to get some kind of reasonable return on it, [separate] from inevitably slightly risky investment banking. You actually need to have investment banking to get development and to get growth, but it needs to be regulated. It needs to be publicly controlled and there needs to be a public participation in it. If we want to build housing for the people of Islington, who desperately need it, we need to borrow money somewhere to do it. We either get it through what, in Britain, is still called the Public Loans Board, or we borrow the money on the private money market, but that is, I would argue, a secure investment.

If somebody wants to invest in something speculative, I don't want my council housing put at risk by that, with the bank foreclosing and demanding all its money back straight away. That is the danger of it, so it is a question really of public ownership, public control and public accountability. You start with Glass-Steagall, to separate out these two arms, but you move on to ensure a socially responsible banking system. We have a high degree of public ownership presently, temporarily, of banking shares in Britain. This government is determined to sell them off as quickly as possible. I think, instead, we should convert them into equity in the banks and maintain a high degree of public control of what the banks do, and the golden share option, when they can't make major decisions without public authority to do so. That would make for a much more stable economy.

Peut: Thank you, Jeremy.

Corbyn: You're very welcome. Thank you very much.

“We Need to Treat These Countries as Equals and Partners”

Robert Oulds

Director of the Bruges Group, recorded 19 March 2015, London

Gabrielle Peut: Good afternoon, I am here in Westminster, London and today I am joined by Robert Oulds who is the director of the Bruges Group.

For our audience, I know you are a military historian, you're also a local government councillor for the London Borough of Hounslow. You're very active in the Conservative Party, and you have been a long-time director of the Bruges Group, an organ-

isation opposed to the European Union's encroachment on the sovereignty of European nations. You have just written the book, *Everything You Wanted to Know about the EU—But were afraid to ask*, which documents the EU's dictatorial powers, and has had a good circulation here in the United Kingdom. You're also a regular commentator in the media. The president of the Bruges Group, Lord Norman Tebbit, was

a senior Cabinet minister in the Margaret Thatcher government and former chairman of the Conservative Party. He has been outspoken in his support for Glass-Steagall, to rein in the City of London, elements of which played a leading role in creating the European Union in the first place. Could you give us your thinking on the necessity for Glass-Steagall?

Robert Oulds: In Britain at the moment, there's a situation where depositors' money has been put at risk by financial activities that have been done without people's consent, and have been railroaded through. The British government really isn't in control of things. There are international institutions, the European Union being just one of them, but also Basel, the Financial Stability Board, a whole host of global and sub-regional organisations like the EU, which are making decisions which affect our lives, and this really does have to end. Power isn't actually in the hands of normal people, people who would vote in elections. Often their elections don't make any difference because power has rested with elites, who have the political and, of course, the financial control. We've seen recently, just within a few years, about how the City of London, through making massive losses, put billions at risk, and millions are in danger of losing their deposits and had to be rescued at taxpayers' expense. This situation just cannot continue.

Peut: Obviously Glass-Steagall is the key piece of legislation that would end that immediately.

Oulds: Absolutely! That would make a separation between mad financial speculation, which is not under the control of ordinary depositors, and protect people's deposits within the banks, which would be safe. It would separate the two arms of banking.

Western Meddling Is the Problem in Ukraine

Peut: I had the privilege of seeing a documentary made about 12 months ago by the Bruges Group. It featured several prominent Conservative Party MPs, who were attacking the expansion of the EU and NATO because of its expanding right on to Russia's borders. You narrated that video, and you yourself sharply warned against this policy. I know you are looking at going back to Ukraine to make another documentary on the same subject. How do you see the situation there at present?



Gabrielle Peut interviews Robert Oulds at Westminster, London.

Oulds: One of the whole issues about the European Union is that it puts big business interests and big financial interests above those of ordinary citizens. That is why we see massively high unemployment across southern Europe, when indebted nations are still having to hand over money to financial institutions that have recklessly lent

them money, and we are seeing this system being expanded right up against the borders of Russia, taking in Ukraine, against the strong objections of many people within that country. There was a democratically elected president, who won an election fairly in 2010, the former president Viktor Yanukovich, who was overthrown in what was really a western-backed putsch, or some describe it as a coup, and replaced by a rump that was pro-European Union, pro-United States. This caused a great deal of divisions within Ukraine and led to a war, effectively, when people rejected the coup government and were then subject to attack from the new authorities that had taken power in Kiev.

We warned that this would happen. The Western meddling in Ukraine has destabilised that country, created a failed state. A lot of this is to do about isolating Russia. It is not just about the expansion of the European Union, an expansion of Western influence, although



Oulds establishes in this book, that the EU is a dictatorial *empire*.

that is part of it, but also they want to restrict Russia as an independent voice in the world. Russia has a different vision that isn't subservient to European Union- or American-led institutions. It has its own voice in the world, and for some that can't be tolerated. Ukraine's neutrality was not tolerated or accepted by the West, so a puppet government, which is in reality what is running Ukraine at the moment, was put in power. Thousands of people have now lost their lives and a million people have been forced out of their homes, primarily by the Ukrainian Armed Forces and various militias, and these people have sought refuge in Russia, which is very telling. They are not fleeing the Russians, they are actually fleeing the Ukrainian Armed Forces and paramilitary organisations, some funded by various oligarchs, who are deeply unsettling people.

Peut: Of course this isolation of Russia is not just Russia on its own, as we know with the Government's policy in Australia, with the targeting of China.

You, among hundreds of prominent personalities internationally, have signed a call issued by the Schiller Institute chairman, Helga Zepp-LaRouche, entitled, "The U.S. and Europe Must Have the Courage to Reject Geopolitics and Collaborate with the BRICS". It is Russia/China/India/Brazil and South Africa that has become a new cultural paradigm, which is the threat to western interests, both in the City of London in the UK and, of course, Wall Street in America. Since you endorsed the call, can you elaborate why you did so?

Oulds: The isolation of Russia is not just about foreign policy; it is also about protecting American- and European-led institutions like the World Bank and the IMF, both of which have a very bad reputation amongst developing nations. And it is about accepting that there is a growing world out there, there are growing alternatives to the common, in a sense failed, economic systems put out by the EU, which has just created massive unemployment, and American-led domination, all of which come with very heavy strings attached. If one is going to be close to the United States and organisations such as the World Bank, then often you have to accept American foreign policy. Being close to the EU means you are tied down to EU policies, and an emerging EU foreign policy and a defence policy which is closely operating with the United States. At times there have been tensions, but usually the EU and the U.S. act together on the global stage. Europe and America have basically been stitching things up. Such as: the leadership of the IMF always goes to a European, and the World Bank always goes to someone from the U.S. They've been stitching things up for far too long; and one-sided trade deals—when practicing protection at home, but harming developing nations. But the world is beginning to change.

There is much more economic growth now outside of the old European powers, even outside of the United States. There are emerging countries that want to have trade, that want to develop their economies, often without strings attached, without the political consequences. One can trade with China without them demanding that you follow their foreign policy. They are not, in a sense, imperialist states, to use old language. They are nations that want to open up their economies, but they want our economies to be opened up, as well, and there are real opportunities out there. The world is changing. We need to recognise that. We need to treat these countries as equals and partners. Social development, eliminating poverty, will happen through economic growth, and there's much economic growth going on in other parts of the world. Let's engage with that, and break free of political chains which have tied up independent democratic nation-states in large parts of Europe, and around the world, and tied up citizens' interests, and put those first, and go out into the world and trade freely.

A New Economic Paradigm

Peut: The more people here in the United Kingdom that come out in support of the BRICS proposal (because it is a real new paradigm), do you think that that will also help change the attitude that is coming from the UK, particularly from Cameron, who has been supporting the expansion of NATO onto Russia's borders, and has been supporting with trainees going into Ukraine? Is that one of the other reasons that you and the Bruges Group have made such an emphatic stance, to change a certain direction coming from the United Kingdom?

Oulds: Yes, the attitude of the United Kingdom is one of being subservient to the United States and also the European Union interests, and it has actually been sending weapons to Ukraine, Scorpion armoured personnel carriers. So far, they have resulted in the deaths of civilians, when they've accidentally been crashed. Really, these are weapons that will be used on the front line.

David Cameron himself has called for the expansion of the European Union from the Atlantic to the Urals. That is deeply insulting to the Russians! This is reminiscent of language used in the 1930s and 1940s. I don't know whether David Cameron realises that or not, but Russia is very worried about its security, it feels bullied by western nations. Russia has been recently establishing its own Eurasian Customs Union, yet the United States has been opposed to that, because they don't want Russia to have good trade links with other nations, even though other countries within the Commonwealth of Independent States, the former Soviet states, have good trade links with

Russia, as most certainly Ukraine did. They don't want those expansions.

The United States was even objecting to the development of the Asian Infrastructure Investment Bank. Yet these activities should actually be welcomed, because this is about a new economic paradigm, it's about

economic growth being spread to other regions. Really, the United States and the European Union need to let go, need to stop bullying, and need to allow other countries to fulfil their own destinies and expand their own economies, and improve their citizens' lives accordingly, without such strings attached.

The 7 May 2015 UK Elections: the Real Story

12 May 2015 (EIRNS)—The need for Glass-Steagall banking separation, orientation towards BRICS real economic development, and a halt to confrontationist policies against Russia and China, discussed by the UK participants in the CEC International Conference, remains just as pressing after the 7 May 2015 UK national election, as it was before. That election has been the subject of a staggering, lying propaganda campaign. Its intent is to pave the way for a new wave of brutal Thatcherite austerity and privatisations under the Conservative majority government, for the benefit of the City of London and the Crown, and for escalating a showdown with BRICS leaders Russia and China.

Going into the election, virtually all the British, Rupert Murdoch-dominated mass media had trumpeted this line to scare voters: “The wild-spending Labour Party, in partnership with the anti-English, even more radical Scottish National Party, is going to utterly wreck the economy, and your job and savings along with it.” Now, the aim of the continuing propaganda barrage is to ensure that, even as the Tories continue to run the government, Labour itself returns full-force to the Thatcher-like policies of Tony Blair (prime minister in 1997–2007) and his successor Gordon Brown (2007–10). After the Conservatives defeated Brown in 2010, Labour underwent an internal revolution of sorts, electing Ed Miliband to head the party. He distanced Labour from the pro-war, pro-speculation policies of Blair and Brown, by organising the stunning 2013 vote in the House of Commons against a UK/US attack on Syria, and by directing his party, also in 2013, to vote for Glass-Steagall legislation, which lost in the House of Commons by a vote of 225 to 274, and in the House of Lords by a mere nine votes.

The press now trumpets that the election results were a crushing defeat for the anti-Blair, anti-war, anti-austerity faction of the Labour Party, which must now—so the argument goes—return to Blairite “centrist” policies, to have a chance to win the next national election. In reality, however, there is every indication that Labour lost seats because Miliband

remained too similar to the Tories, in advocating budget spending austerity.

The vote pattern itself gives the lie to the media version of events. Firstly, the leaders of Labour's right-wing, pro-Blair faction lost their seats, starting with City of London flunky, Shadow Chancellor of the Exchequer Ed Balls. Secondly, Labour gained more seats from the Conservatives than vice versa: 11 Conservative seats went to Labour, while only eight Labour seats went to the Conservatives. Thirdly, Labour increased its vote in this election over 2010, by 100,000 votes more than the Conservatives did: Labour's vote rose by 700,000, that of the Tories by 600,000. The latter got more votes overall—11.3 million to Labour's 9.3 million—and therefore won, but this was by no means the rout for Labour being portrayed.

Labour's gains came despite massive losses suffered in Scotland, where the Scottish National Party won 56 of 59 available seats, almost all of them previously held by Labour. That is because Labour, under Blair and Brown, had continued Thatcher's policies of deindustrialisation and speculation, ravaging Scotland's once proud steel, shipbuilding and mining industries, the backbone of its economy. The Scots were also furious at Labour for opposing Scottish independence, so a Labour wipeout in Scotland was a foregone conclusion.

Voters vented their anger at the economic policies of Tory PM David Cameron's government less against the Conservatives themselves, than against their Liberal-Democrat coalition partners, whose representation in Parliament plummeted from 57 seats to nine. The Lib-Dem vote did not go to Labour, but was soaked up by the United Kingdom Independence Party (UKIP) and the Greens. Under the British “first past the post” voting system, where the highest vote-getter in any district wins the seat, these votes did not translate into seats (UKIP received 12.6 per cent of the vote, but only one seat). Fully one-fourth of all seats in the House of Commons were won without 50 per cent majorities, most of those by Tory candidates.

China: Great Infrastructure Projects at Home and Abroad

Jeremy Beck

CEC Victoria State Chairman

China's economy has amazed the world in the last decade, and we can expect the enormous growth to continue. I will focus in on transport, water, and power infrastructure. For transport infrastructure, rail is by far the most important for China, and for power infrastructure, I'll concentrate on nuclear power, which will be key for continued economic growth.

This economic development is financed through China's banks, such as the Export-Import Bank of China that makes an enormous contribution. So you can just imagine why there is such consternation amongst the Anglo-American financial oligarchy, with China now expanding this role of finance in the establishment of the Asian Infrastructure Investment Bank. The AIIB is designed to expand infrastructure in the Asia-Pacific region, so keep this in mind when we go through all of the projects that China has built already, even without this bank. And see that China's intention with the AIIB, and also the BRICS New Development Bank, is to expand this investment into infrastructure, to uplift the living standards of billions of people worldwide.

China has the world's only commercially operating maglev train, the Shanghai Maglev Train (**Fig. 1**), which began commercial operation in 2004. It travels from the Podong International Airport to Shanghai—a distance of 30 km—and this journey takes just eight minutes. It has a maximum operating speed of 431 km/h but it has been tested at 501 km/h. Maglev has the advantage of a smoother ride and without any physical contact; the train hovers on a magnetic field. Electromagnets are also used to provide motion along the track in both acceleration and braking. Since there is no rolling resistance and physical contact, maglev transport is much quieter and allows

FIGURE 1



Jeremy Beck, CEC Victoria State Chairman

for higher speeds.

China is building a maglev train in Beijing that is forecast to open in November or December this year. This maglev track, now under construction, is designed for minimising noise in an urban environment. It will stop at several Beijing city stations in close proximity, so maximum speeds won't be much more than 100 km/h.

A maglev train's speed in open air is limited by air resistance. Aeroplanes fly at greater speeds high up in the atmosphere where the air is thin, but air resistance at ground level is much greater. In addition, it would be unthinkable to break the sound barrier at ground level, with the noise of the sonic boom. The speed of sound in air is around 1,236 km/h. To address these problems, Chinese researchers have the world's most advanced program for vacuum maglev (**Fig. 2**). A vacuum tube, where the air is pumped out, solves

FIGURE 2



the problem of air resistance and the sonic boom. A team lead by Dr Deng Zigang at Southwest Jiaotong University in China has built a maglev train with the potential to reach 2,900 km/h. The vacuum tube diameter at the university test facility is too small to achieve such a speed, but if a long enough tube were constructed, this speed would be indeed be possible.

Most of China's high-speed trains use the steel-wheel-on-steel-rail-technology. **Fig. 3** shows two high-speed trains at a typical railway station in China. This is now everyday transport for millions of Chinese. Rail patronage in China has grown from 128 million trips in 2008 to 672 million trips in 2013, and over 2.9 billion passengers have taken a high-speed train trip between April 2007 and 1 October 2014.

The Chinese CIT500, seen in **Fig. 4**, was tested at 605 km/h and is the world's fastest train. Maglev technology will allow greater speeds and, for any given speed, a much reduced noise level, but China has decided to rapidly lay out the known technology of steel-wheel-on-steel-rail at this time. Aside from the maglev, China's commercial high-speed trains travel at speeds of up to 350 km/h.

Fig. 5 shows the latest high-speed rail map, as updated in December 2014. The length of China's high-speed rail is more than 16,000 km—more than 60 per cent of the global total. By 2020, China is forecast to have 24,000 km of high-speed railways. And it certainly won't stop then. In 2015 alone, China plans to spend a further 800 billion yuan (\$128 billion) on building railway tracks.

FIGURE 3



FIGURE 4



FIGURE 5



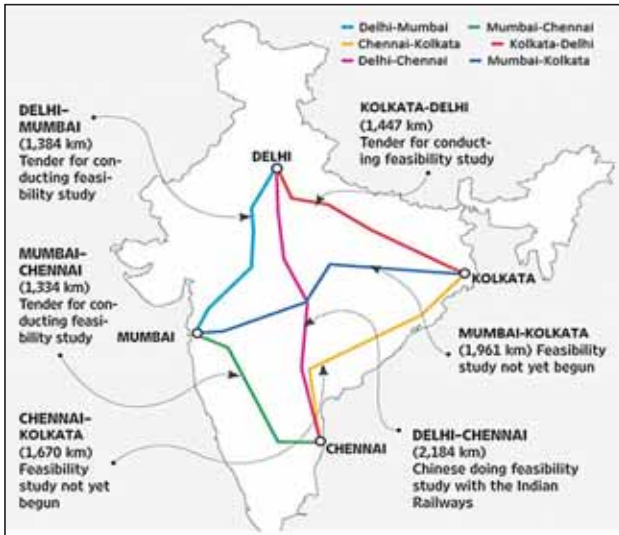
FIGURE 6



China is planning to build a 7,000-km high-speed rail link from Beijing to Moscow, at a cost of 1.5 trillion yuan (\$242 billion). With a proposed maximum speed of 400 km/h, it would cut the Beijing-Moscow journey from five days to 33 hours. This massive project was announced in October 2014 and discussions are under way to confirm the exact route. Kazakhstan will likely welcome China's and Russia's option to build the railway through its territory (**Fig. 6**). The other route option considered is to traverse the Russian Altai Republic and just to the north of Kazakhstan. In any case, the railway will take 8–10 years to build.

China and India are negotiating a \$33 billion high-speed rail scheme, the first major improvement in a rail system built by the British in the 19th century. The

FIGURE 7



proposed Delhi-Chennai high-speed rail corridor will reach close to 2,000 km, from the northern capital Delhi to the south-eastern city of Chennai. The project is part of Indian Prime Minister Narendra Modi’s “diamond quadrilateral” project (Fig. 7) that aims to build a network of high-speed trains between cities, including Delhi-Mumbai, Mumbai-Chennai, Chennai-Kolkata, Kolkata-Delhi and Mumbai-Kolkata.

China is building a Mombasa-Nairobi railway in Kenya that will be extended to five countries at a total cost of \$13.8 billion (Fig. 8). The first phase of the standard-gauge railway project will cover 609.3 km, from the port of Mombasa to Nairobi, and will cost \$3.6 billion. Ninety per cent of the financing will come from the Export-Import Bank of China, while Kenya will cover the remaining 10 per cent. At least 30,000 Kenyans are expected to be employed by the project. And as seen here, construction is now under way.

Fig. 9 shows the plan to extend the railway to five other countries: Uganda, Rwanda, Burundi, South Sudan and the Democratic Republic of the Congo. It covers a much greater distance than the initial Mombasa-Nairobi link.

Moving to the west of Africa, the construction of the 186.5 km Abuja-Kaduna railway line began in 2011 at the total cost of 850 million dollars, and was complete as of early this year (Fig. 10). There are 37 overpass bridges and nine stations along the way. It was executed by the Chinese rail construction giant China Railway Construction Corporation (CRCC).

Nigeria was obviously pleased with the Abuja-Kaduna railway. Now they’ve entered into a contract to build a nation-wide network of high-speed trains (Fig. 11). Financing for Nigeria’s massive new US\$13 billion high-speed rail network is primarily in the form of a loan from China’s Export-Import Bank. The China Railway Construction Corporation is set

FIGURE 8



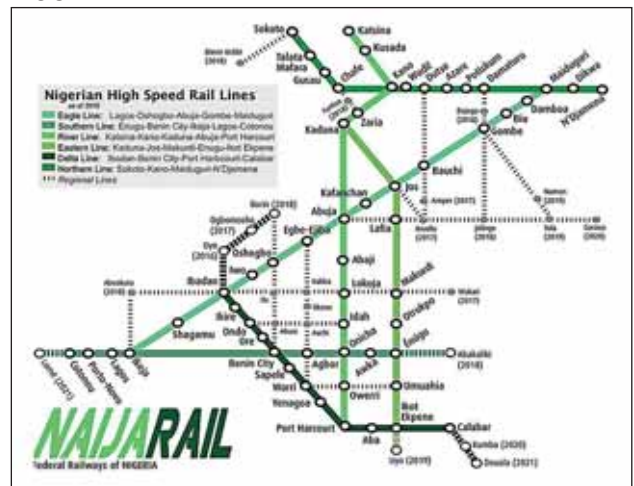
FIGURE 9



FIGURE 10



FIGURE 11



to build the 3,218-km network, which will be a major boost to the economy, connecting Lagos, Kano, Kaduna, Warri, Bauchi, Abuja, and Port Harcourt. The system will be digitally operated, using fibre-optic cables, radio communication and wireless services—all the latest technology. The entire national network will take 25 years to build, but some of the lines will be completed much sooner.

In Thailand, the government last year approved a \$23 billion transport project that will see two high-speed railways link up directly with China by 2021 (Fig. 12). Thailand currently has only 250 km of dual-track railway.

China is looking to build a 3,000-km high-speed line from Kunming all the way down to Singapore, passing through Laos, Thailand and Malaysia—a project that would increase China's GDP and those of the involved nations by \$375 billion, as a former Chinese railway chairman told the *China Daily*. Railway construction in Thailand will begin in September or October 2015 at the latest, and will take around two-and-a-half years to complete, thanks to a \$12 billion investment from China.

I've mainly focused on rail infrastructure, but I just can't leave out the Jiaozhou Bay Bridge on the Shangdong Peninsula (about 700 km north of Shanghai), used by motor vehicles (Fig. 13). It's an extraordinary piece of infrastructure. The length of the Jiaozhou Bay Bridge is 26.7 km, of which 25.9 km is over water. It's the longest bridge over water in the world. It is supported by 5,238 concrete piles. There are eight lanes, and it cost 14.8 billion yuan (or \$2.3 billion). Construction started in May 2007; it took four years to build, and employed at least 10,000 people. It opened for traffic on 30 June 2011. On the same day, the Qingdao Jiaozhou Bay tunnel was opened as part of the entire Jiaozhou Bay Connection Project. The bridge shortens the route between Qindao City and the Huangdao District by 30 km, cutting travel time from more than 40 minutes to about 20 minutes. The photo shows just a small section of the bridge, looking in an easterly direction. At the left of the photo is where the road goes to the north of the bay.

Water Management

Moving on to water infrastructure: China has more dams than the rest of the world combined.

The Three Gorges Dam Reservoir on the Yangtze River has a capacity of 39,300 GL. This dwarfs Australia's two biggest reservoirs, the connected Lake Gordon/Lake Pedder reservoirs with a combined capacity of 11,000 GL and Lake Argyle's capacity of 10,500 GL. So the Three



FIGURE 14

FIGURE 12



FIGURE 13



Gorges Dam reservoir is nearly four times the size of Australia's biggest reservoir.

The Three Gorges Dam (Fig. 14) is the world's biggest power station, with a capacity of 22,500 MW. There are 32 turbines, each with a capacity of 700 MW (Fig. 15). By comparison, Australia's biggest power station, Eraring Power Station in NSW, fuelled by black coal, has a capacity of 2,880 MW.

Another 100 dams are planned or under construction on the Yangtze and its tributaries. The Three Gorges



FIGURE 15

Dam provides flood mitigation and allows water-level control, which has assisted shipping.

The South-to-North Water Diversion Project (Fig. 16), upon completion, will be the greatest water project ever built. The north of China is dry and in need of water, which is plentiful in the south. There are three routes by which the water is transferred from the Yangtze River in the south to the Yellow River in the north. With an estimated total cost of 500 billion yuan (AU\$86 billion), the project is now well under way. Once completed, the project will channel a massive 44,800 GL of water annually from the Yangtze River to the drought-stricken north of China. As a comparison, the Snowy Mountains Scheme has historically transferred an average of 2,300 GL annually to the Murray and Murrumbidgee rivers.

Construction of the eastern and middle routes began in December 2002 and December 2003, respectively. The middle route was completed in December 2013. The eastern canal has been partially completed, while the western route remains in the planning stage.

The Jinping-I Dam (Fig. 17), an arch dam, at 305 m is the tallest dam in the world. It impounds the Yalong River. China is now building an even taller dam on the Dadu River. The Shuangjiangkou Dam, when completed, will be 312 m tall. This is an embankment rock-fill dam, and is expected to open in 2018.

Let's move to Chinese dam-building worldwide (Fig. 18). Chinese banks and companies are involved in some 330 dams in 74 different countries, particularly in Africa and Southeast Asia. The diagram here is from 2012, and a lot can happen in two and a half years, the way China is growing. But it illustrates where China is building dams, by region and country. Incidentally, the source of the chart is International Rivers, an anti-dam environmentalist outfit based in Berkeley, California in the United States, which is run by Anglo-American interests. They are so hysterical over China's dam-building, that they have documented just about every dam China is building, which helped me with my research, so at least they've done something useful.

Now, let's look at a few specific dams that China is building overseas (Fig. 19). The Kamchay hydropower dam in Kampot Province, Cambodia opened in 2011 and was built with the help of finance from the Export-Import Bank of China. The 193 MW hydroelectric dam

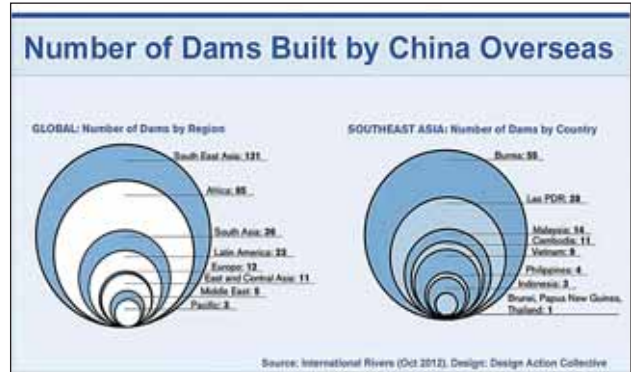
FIGURE 16



FIGURE 17



FIGURE 18



is the largest in the country. Several other larger dams are proposed. Cambodia has an estimated 10,000 MW hydroelectric potential, and China is ready to help build these dams.

Malaysia's Bukun Dam in Borneo, at 205 m high, is Asia's largest dam outside of China. It was opened in 2011. Eight Francis-type turbines provide a total of 2,400 MW of capacity. It was built with the help of China's state-owned Sinohydro and the Export-Import Bank of China.

FIGURE 19



The Merowe Dam construction started in 2004, and it opened and started generating electricity on 3 March 2009. This dam on the Nile River in Sudan is 9 km in length and 67 m high. China National Water Resources and Hydropower Engineering Corporation and China International Water and Electric Corporation built the dam. The Export-Import Bank of China contributed EUR 240 million to finance the dam. The power station has a 1,250 MW capacity.

The Myitsone Dam (Fig. 20) in Myanmar (Burma), still to be completed, will be the fifteenth-largest hydroelectric power station in the world. The dam, planned to be 1,310 m long and 140 m high, will have a electricity generation capacity of 6,000 MW. As a comparison, Australia's Snowy Mountains Scheme's nine power stations have a combined capacity of 3,950 MW. Currently the project is suspended, due to a major campaign against the dam. Western environmentalist organisations have played a big role in an attempt to stop this dam.

I can't go through all of the 330 dams that China is building around the world, but I've put a list together of the 70 or so countries that China is working with to build dams (Fig. 21).

International Rivers has mapped several large dams that China is building worldwide, so I'll briefly go through some maps. Once again, these maps are a little old, but the 2012 data gives a good global picture.

We can see several dams in the Mekong River Basin (Fig. 22). Africa is split in Fig. 23, but you get the picture. There are a number of dams in Central and South America (Fig. 24), and even a couple in Eastern Europe (Fig. 25).

FIGURE 20



FIGURE 21

Countries with Chinese-built Dam Projects			
Albania	Fiji	Mali	South Sudan
Algeria	Gabon	Mauritius	Sri Lanka
Angola	Georgia	Mongolia	Sudan
Argentina	Ghana	Montenegro	Tajikistan
Belarus	Guinea	Morocco	Tanzania
Belize	Guyana	Mozambique	Thailand
Bosnia and Herzegovina	Honduras	Nepal	Tunisia
Botswana	Indonesia	Niger	Uganda
Brunei	Iran	Nigeria	Ukraine
Burma	Ivory Coast, Cote D'Ivoire	Pakistan	Uzbekistan
Cambodia	Kazakhstan	Papua New Guinea	Venezuela
Cameroon	Kenya	Peru	Vietnam
Central African Republic	Kyrgyzstan	Philippines	Zambia
Colombia	Lao	Republic of Congo	Zimbabwe
Congo, Democratic Republic of	Lao PDR	Romania	
Costa Rica	Macedonia	Russia	
Ecuador	Madagascar	Senegal	
Equatorial Guinea	Malawi	Serbia	
Ethiopia	Malaysia	Sierra Leone	

FIGURE 22

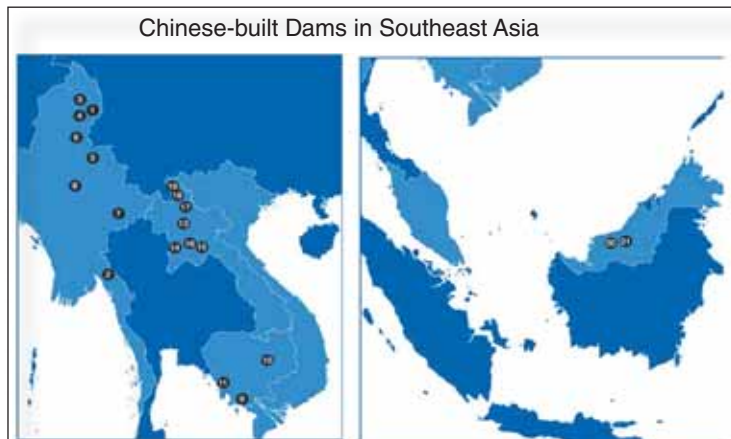


FIGURE 23

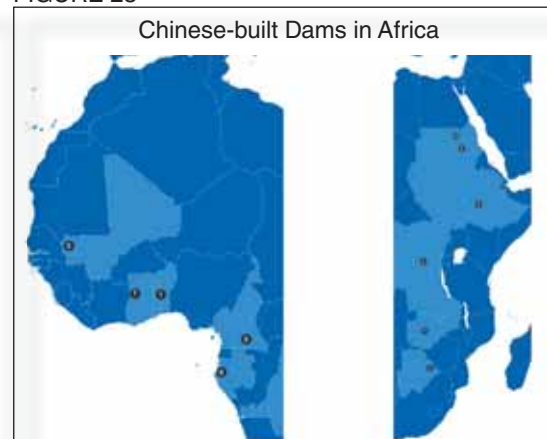


FIGURE 24

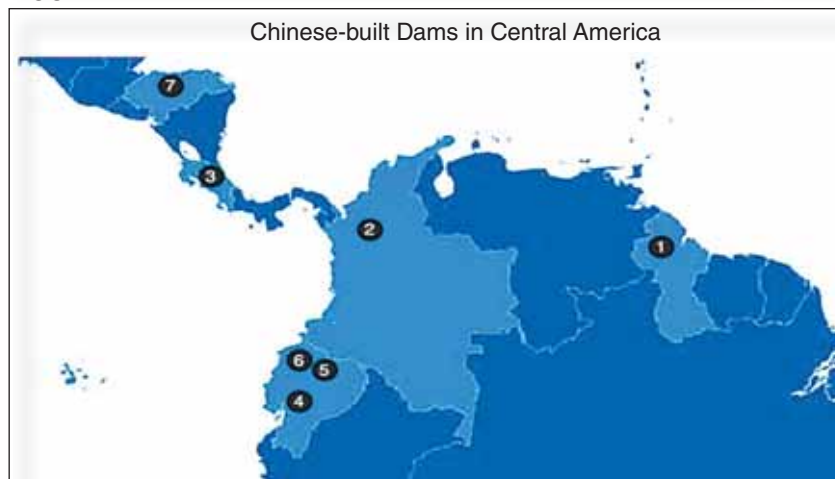


FIGURE 25



Going Nuclear

Currently China has 24 nuclear power reactors in operation. The average reactor construction time in 1992–2012 was 5.8 years; the minimum time was 4.3 years. Construction times are becoming shorter—the CPR-1000 takes just 52 months to build and smaller, modular reactors take 36–40 months to build. At the current pace of development, China will be the world number one in nuclear power generation in a decade

FIGURE 26

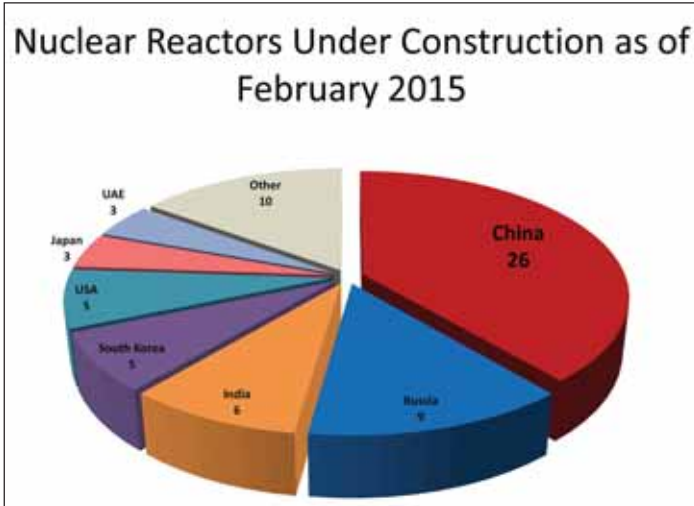


FIGURE 27

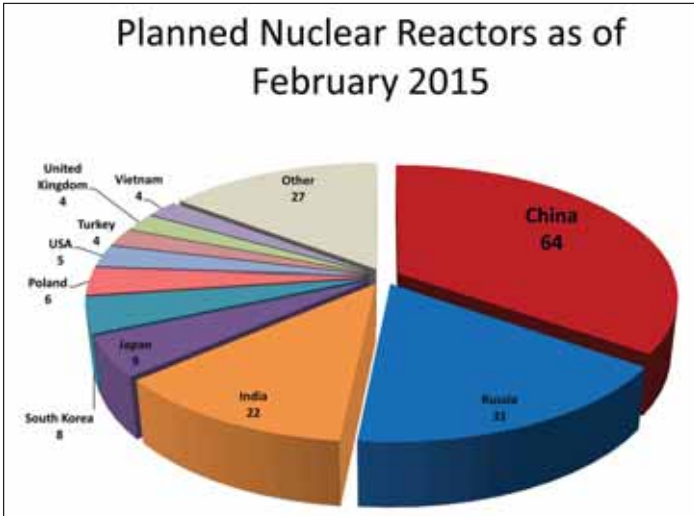
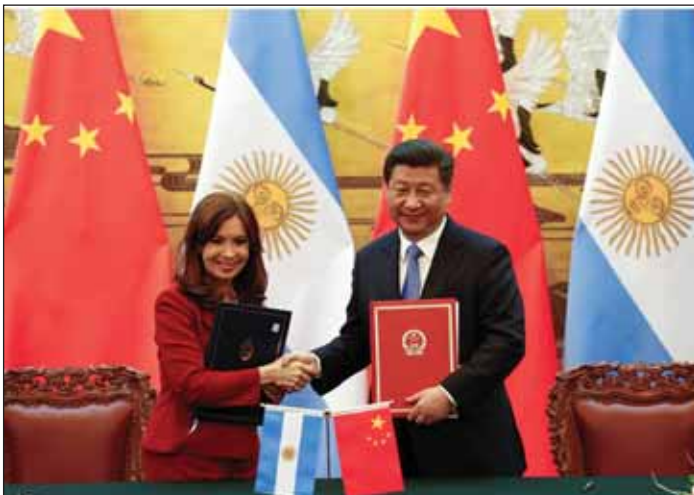


FIGURE 28



(Fig. 26). It will leapfrog and then *double* U.S. nuclear capacity in the following few years.

Fig. 27 is a chart of planned reactors. I got this data from the World Nuclear Association, which defines planned as “Approvals, funding or major commitment in place, mostly expected in operation within 8–10 years.” Once again, China is way out in front. The United States has the most reactors in operation in the world—99 of them—but, as we see here, they only have five planned reactors vs. China’s 64.

In addition, China has proposed another 123 reactors, which are mostly expected to be in operation within 15 years.

Argentina

Argentine President Cristina Fernández de Kirchner, on her three-day state visit to China in February this year, signed 15 agreements with Chinese President Xi Jinping (Fig. 28), including an agreement to build two new nuclear power stations in Argentina. Fernández de Kirchner said on her Twitter that the fourth Nuclear Plant and fifth Nuclear Plant require investment of \$5.8 billion and \$7 billion respectively. Argentina already has three nuclear power stations that use German and Canadian technology.

Pakistan

Karachi Nuclear Power Complex was officially initiated in November 2013 and is China’s largest energy investment in Pakistan. China is involved in at least six nuclear power projects in Pakistan and is likely to export more to the country. Initially China declared it was building two reactors for Pakistan.

The Director General of the Nuclear Safety Institute of the Russian Academy of Sciences, Bulat Nigmatullin, forecast that China will be winning half of all contracts to construct nuclear power plants abroad in 10 years. On 6 February 2015, Wang Xiaotao, vice minister of China’s National Development and Reform Commission, said that China is currently holding talks with a number of countries on constructing nuclear reactors on their territories. He argued that China is ready to enter the global market, adding that Chinese facilities comply with all international standards. The signing of the relevant contracts will take three or four years. Expect to see this take place in the developing markets of the Middle East, India, Latin America and Asia.

I hope I’ve given you all a better sense of the enormous shift that China has made and the exciting development potential for the future.

China's Helium-3 Revolution

Benjamin Deniston

LaRouche Policy Institute (USA)

Craig Isherwood: *The next part of this panel is a discussion about China's helium-3 revolution. Joining us from the United States via Google Hangouts is Ben Deniston from the LaRouche Policy Institute. People who have been following the LaRouche website will see Ben on numerous occasions, giving addresses. Ben, we'd like to welcome you to our conference on this very interesting topic.*

Benjamin Deniston: I'm very happy to be addressing you from across the Pacific. I work with Lyndon LaRouche; I'm part of his scientific research team, sometimes referred to as "The Basement". We have a small team, and we've had the great opportunity to work closely with Mr LaRouche on areas of scientific matters, scientific investigations, economic studies, and related matters.

One thing we've been taking a serious look at over the recent period is what China is doing with their lunar program. In the context of everything we're talking about here, a real revolution going on around the world, this BRICS alliance emerging, all kinds of global development being unleashed and launched, Mr LaRouche has highlighted, in particular, China's space program, and their lunar program, as something distinct, which embodies the whole spirit and future-orientation of this global dynamic now occurring. He has discussed this as going to a more fundamental issue, which is the need to redefine our understanding of what mankind is as a species on this planet; but not just on this planet—in the solar system, and beyond.

That is something Mr LaRouche has spent a lot of his time, much of his life, focussing on developing: a more scientific, accurate conception of what makes mankind unique. What makes the human species qualitatively different, rather than just another animal species? He has focussed on not just recognising that, but coming to understand it in greater detail, to develop new and higher insights into what is the unique, creative capability that only the human mind has, which we don't see existing in any animal species. How can we begin to develop types of cultures, and relations among cultures, and relations among nations, and goals for cooperation among nations, vectored towards further developing that unique human creative capability?

He has referred to the Renaissance, the 15th-



Ben Deniston addresses the CEC conference, 29 March 2015. century European Golden Renaissance, as a reference point for the type of shift we need to make right now. We need a political shift, we need a change in political policies, we need a change in strategic policies, but we also need a deeper change in society's understanding of what mankind is on this planet. What's our mission, what's our goal? He has pointed to China's space program as a leading expression of the type of activity, directed towards a better understanding of that deeper issue.

I want to discuss this, starting with a reference to a Chinese official by the name of Ouyang Ziyuan. He is referred to as the father of China's lunar program. We picked up on this a couple of years ago, when China made their first successful soft landing on the Moon, with the Chang'e 3 mission's soft-lander and rover. This is part of their lunar exploration program, and the father of that program is a very interesting fellow.

I want to read one quote from him, from a paper he published in 2008 along with some associates, to give a flavour of the direction of thought, embedded in China's current lunar program and their space efforts. In this paper Dr Ziyuan said, "China's Chang'e program will accomplish the unmanned lunar exploration task by three phases: of orbiting, landing and

returning”—returning a sample back to the Earth, which is their next mission; I believe it is going to happen around 2017. Then he goes on to say, “After 2020, China will actualise the dream of manned lunar landing and lunar base establishment step by step. As the progress of lunar exploration, China will be able to explore Mars, other planets, asteroids, comets, and interplanetary space. Through the exploration of celestial bodies of the solar system, it will drive forward the innovation and advancement of aerospace science and technology, improve the development of high and new technologies, serve economic growth and sustainable development of human society. China’s Lunar Exploration Program will make significant contributions to a great renaissance of the Chinese nation.”

What we are seeing now, as was stated there—not all of these steps have been necessarily officially declared, in terms of time frames or dates—but what we’re seeing now with the current program is the precursor to, likely, an intention to send people back to the Moon. But, then, there is also an intention, as he says, to build habitation, to build settlements, to build bases, and to use those as a base of operation to further our expansion out into the solar system.

He is also a proponent, and has many times spoken of the great potential, of developing the resources from the Moon, and in particular the fusion fuel resources; specifically, a certain type of helium that is very, very, *very* rare on Earth, but is rather abundant on the Moon: the isotope helium-3. It is a type of helium, which is not the type you would get in a balloon, on Earth. It is a helium isotope that can be used for what you would call a “second generation” or an “advanced” fusion reaction.



Artist's rendition of mining helium-3 on the lunar surface.



The successful Chinese Chang'e 3 mission in December 2013, with a soft landing of the Yutu (“Jade Rabbit”) rover on the Moon, was a milestone on the road to a thermonuclear fusion-based economy fuelled by helium-3.

And at one point, speaking of the interest in helium-3, Ouyang Ziyuan said, “When obtaining nuclear power from helium-3 becomes a reality, the lunar resources can be used to generate electricity for more than 10,000 years for the entire Earth”, just to give you a sense of the scale of the helium-3 resources available on the Moon. Ten thousand years is not something you can even contemplate; we have no idea where mankind will be in 10,000 years, especially if we continue the current process of development initiated by this BRICS orientation, and we can make it through this collapse of this British system.

Advanced Fusion Reactions

To get at this helium-3 issue: fusion is the most powerful energy source, power source, that we currently know of. It can be done with various types of fuel, some of which are available on Earth. Helium-3, this particular type of helium which is abundant all over the Moon, allows for the potential for an advanced type of fusion reaction, with a much more efficient conversion of the energy of the fusion reaction into electricity. It would enable us to skip what we currently do for most of our power generation, which is to use a fuel—react or combust a fuel, generate heat, and use that heat to generate steam to spin a turbine to generate electricity. There is the potential, with these advanced fusion fuels, to generate electricity directly from the process of the fusion reaction itself, from the activity of the plasma of the fusion reaction. This enables not just fusion power, but helium-3 enables a

second-generation, advanced fusion reaction, which would completely revolutionise our activity as a species.

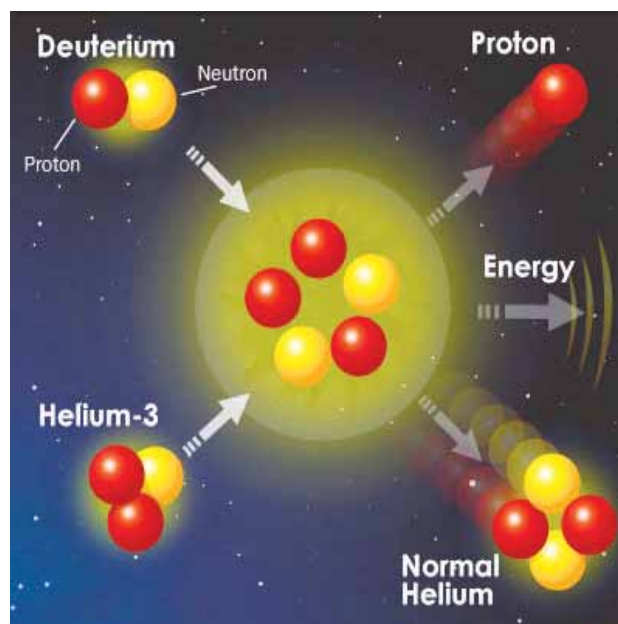
To put this into context: one thing that Mr La-Rouche has pointed to is looking at the evolution of human societies from the standpoint of the qualitative shifts in power sources and what he calls “energy flux density”. This is something we’ve studied in our work. For example, I’ve done studies looking at the history of the United States and the qualitative transitions of the U.S. economy, moving from a predominantly wood-based economy to an economy dependent upon coal, moving then to a petroleum/natural-gas-based economy, and then to the potentials of nuclear power, which has been largely halted in the United States, but has greater potential.

What you see with these transitions, historically, is that the power per capita, the energy per person, of the total economy increases with each of these steps. You get these qualitative increases in the energy flux density of the economy as a whole, which have been a driving force in creating real economic growth, allowing us to transition to new resource bases, develop new resources, develop new modes of production, which couldn’t exist in the lower system. What we’re looking at with fusion power—ideally, helium-3 fusion technologies—is the next stage in the natural, qualitative advance of mankind. This is the process that characterises mankind’s progress. This is real economics: studying how it is that the human species qualitatively supersedes and transcends its previous state, its previous potentials, in going into a qualitatively higher level.

Today, that means nuclear power, and especially fusion technologies. If you look at the history of mankind’s progress and these transitions, from wood to coal to fossil fuels to nuclear fission, the next step in the process of further utilising nuclear power, the next step for mankind—not just something that we can choose to do, but what is, inherently, the next step to take—is going to a fusion economy, fusion technologies.

One way you can begin to understand the differences between these types of fuel sources is comparing the energy-density of different fuel types. You could say, “What is the amount of energy in a given weight of fuel?”—comparing, say, gasoline to nuclear fuel. Or, to put it another way, to have the same amount of energy, how much fuel do you need of different types? Nuclear fuels, like fission, like fusion, are generally a million times, or over a million times, more energy-dense than chemical reactions.

Because that’s a difficult thing to conceptualise, a million-fold difference, I pulled together one example, which is a variation of a study I had done for



Helium-3 fusion produces charged particles called protons, which create plasmas that can be contained and redirected by electromagnetic fields to produce electricity directly, rather than by using less efficient steam turbines.

the situation in the western United States, to try and give a pedagogical picture of what a million-fold increase in energy-density is. I decided to look at the water needs, the water situation in Australia, and I pulled together a quick example. This is something that I know is an issue over there. It’s an issue here in the United States, as well: the need for water. And we have a problem in the United States with people saying, “Well, there’s a finite amount of resources... We can’t use up this fixed amount of resources, we can’t draw down our resources to the point where we have nothing left, we have to learn how to conserve with less, we have to learn how to utilise less”. It’s this very backward mentality that’s been a driving factor in the economic decline of the United States.

Whereas in reality, with this type of qualitative transition of human progress that I’m describing, mankind creates new resource bases. Again, take this water issue: water is inherently a renewable resource! When we use water, it doesn’t become no longer water. If we use water to water our crops, it’s still water. When we consume water, it’s still water, unless there’s a chemical reaction occurring, something like plants utilising it for photosynthesis. Water is constantly cycling in and out of various systems, various forms. Most of what we depend upon currently is the water that gets evaporated by the Sun, by solar radiation, enters the atmosphere as water vapour, and then falls as rainfall or snowfall over an area, over a continent or a territory, and then gets utilised on that territory, and then runs back off into the ocean again to begin that cycle again. It’s inherently a cyclical process, a renewable process.

Water in Australia

For fun, today I pulled up what I could find for the figures for that cycle for Australia as a whole. There might be various different estimates; I found a figure of about 570 km³ per year. That's the amount of annual run-off from Australian rivers back into the ocean, which is one measure of this cycle of evaporation/precipitation/run-off. So, you have something on the order of 570 km³ per year of flux of water into Australia, utilised on the continent, and then flowing back into the ocean. That's a cycle of water supply that the people of Australia depend upon.

In a fusion economy, we don't have to limit ourselves to relying upon that natural cycle as it currently exists. We already have technologies to remove salt, purify ocean water through desalination, and begin to create our own resources of fresh water for our use. In effect, it's like taking over the role of the Sun. We can begin to create our own cycles. Again, this is not just using up some finite resource; we can take in ocean water, and instead of the sunlight evaporating it and turning it into fresh water, we can turn it into fresh water ourselves. We can desalinate it, we can bring it inland, we can use it for crops, we can use it for irrigation, we can use it for economic activity, it can flow back out into the ocean again when we're done. We can create our own cycles of activity.

To get back to this issue of fusion and energy-density, I thought it would be interesting to look up how much helium-3 would be needed to match the entire continental water cycle for Australia. How much helium-3 fuel, how much energy would we need to produce with helium-3, in order to desalinate enough water—570 km³? This is a fun exercise: this is a huge amount of activity here, this is a vast amount of water, so I'm not actually proposing that we do exactly this, but just to give a sense of the scale of activity mankind could achieve with this type of

fusion-level economy. If we were to match the water cycle of the continent of Australia with fusion power, it would take about 25 tons of helium-3 per year. That could fit in the cargo bay of one of our former space shuttles. That's not necessarily a huge amount of fuel, if you have a conception of how much water that is. It could probably fit, also, in one railcar for a train. So one railcar, one space shuttle-load of helium-3 from the Moon, per year, could allow mankind to create his own water cycle matching the current natural water cycle of Australia. Again, a fun exercise!

What if you were to try and do this with coal? We could desalinate ocean water with coal. You could use coal to generate electricity to power desalination, the same way you would use fusion to generate electricity to power desalination; you still use electricity, either way. But with coal, it would take not 25 tons, it would take 530 million tons of coal. The helium-3 would fit into one rail-car; 530 million tons of coal, if you were to put *that* into railcars, would wrap around the entirety of the coast of Australia three and a half times.

When you're talking about a million-fold difference in energy-density with nuclear reactions versus chemical reactions, I went through this example to give you a sense of the scale: one single railcar-worth of helium-3 fuel, versus enough railcars to wrap around the entire coast of all of Australia three and a half times. That gives a sense of why the energy-density of fusion is so important for the future of mankind. Again, I'm not advocating that we desalinate this particular amount of water, but with a fusion economy, with that scale of energy flux density, that scale of power available per capita, we are effectively creating a new resource base, allowing mankind to produce our own fresh water, as needed to fill the needs of mankind. We are no longer simply dependent upon the natural cycles which exist.

That's just one example which I thought might resonate down there, since you're facing similar water concerns as we're familiar with here in the United States, on the west coast.

New Horizons

That's just one example, which deals with this idea of increased energy-density, increased energy per amount of fuel, available with nuclear reactions, fusion reactions. You also get a completely new quality of power, when you move into this domain of nuclear reactions. No amount of chemical energy, no quantity of energy from chemical reactions, from petroleum or natural gas or coal, will allow you to perform transmutation—to transform one element into another element. You can do that with nuclear reactions; we



Nuclear desalination complexes (nuplexes) such as the one envisioned here could produce new rivers, transforming Australia and other dry areas of the world.

open up completely new qualities of activity that were simply inaccessible in the domain of chemical activity.

Moving into this nuclear domain opens up completely new types of reactions, potentials for mankind which simply didn't exist in the lower domain. It opens up new potentials for technologies using controlled high-temperature plasmas, such as—ideally, in the future, at some point—things like the fusion torch concept, where you could take, potentially, in an extreme example, trash out of a landfill. The constituent elements of trash in a landfill are materials that we use, they're elements that we use, that's why they ended up in a landfill, because they were things that we utilised. If we had an advanced fusion economy powered by a helium-3 driver program, you could be breaking down trash and separating out the elements and the isotopes, and have pure raw materials and resources from what's otherwise trash.

This is something people have done studies on, and there are designs and proposals for these types of systems, where you could create a controlled high-temperature plasma in whatever you put into it. It would break it down into the basic chemical elements, and even separate out the isotopes of those elements, and allow you to produce pure resources, raw materials, out of lower-quality ores, lower-quality resources, or at some point maybe even what we view as trash, currently.

These are the type of transitions. A leap to a fusion economy is not just more energy, more power, to do the same thing. It enables a qualitative transformation in what we define as a resource, what resources are available to us. It's the type of policy that embraces the spirit of what China's President has defined as win-win economic progress: that if nations are cooperating in developing these types of new technologies—in developing, at this point, the needed infrastructure to develop nations and regions—and these types of technologies transform the productivity of these regions and nations, this is what mankind does! This increases the total amount of physical wealth, or value, available to mankind. Increasing energy flux density, moving towards a fusion economy, is an absolute necessity for the progress of mankind, because this is the shift that is going to create

The Energy Density of Fuels	
FUEL SOURCE	ENERGY DENSITY (megajoules/kg)
Solar (Sunlight)	N/A*
Battery (Lithium)	2.5
Wood	18
Coal (Bituminous)	27
Petroleum (Diesel)	46
Nuclear Fission (Uranium)	3,700,000
Helium-3 Fusion	352,000,000
Matter-Antimatter Reactions	89,900,000,000

* Sunlight can not be measured in MJ/kg because it has no weight, but it is absurdly inefficient.

The changes in the energy density of fuels being utilised, from wood to matter-antimatter reactions, occur in jumps that are orders of magnitude in size. The greatest single leap is the transition from chemical to nuclear processes. (A megajoule, or MJ, is 1 million joules, and is a measurement unit of energy.)

an entire new level of potential wealth, resources and growth available to mankind as a whole.

Coming back around to what I opened with, this gets at another issue Mr LaRouche has been emphasising. He has us working on getting at more at the science of what allows mankind to do this. This type of qualitative shift is something no animal species does. Despite the lies they tell students in many universities today, we're not just a smarter animal; we're not just doing things a little bit more, or a little bit faster, or a little bit better, than another animal species. What characterises human, qualitative economic leaps, is the type of activity which doesn't exist in the animal domain.

It is this type of progress that defines mankind as unique, and it's something that we have to increasingly respect and understand, that has to become the basis of human economic relations going into the future: that there is a unique creative potential in mankind as a distinct species, and policies, strategy, the strategy of nations, have to be subsumed by the need to develop that, the need to facilitate the growth of that human economic, that human creative potential. Why Mr LaRouche has focussed so much on China's lunar program, and their space program, is because, I think, he sees that as potentially getting most directly and most clearly at this issue, at an expression and a pursuit of the distinct creative capabilities that make mankind unique, and must become the central governing principle for this potential new paradigm that we're heading into now.

The BRICS Process is Transforming Ibero-America

Dennis Small

Ibero-America Intelligence Director, Executive Intelligence Review

Craig Isherwood: *Direct from the United States late at night is Dennis Small, the Ibero-America Intelligence Director and an Editorial Board member of EIR magazine. Dennis has had a long history of dealing with the characteristics of all the Ibero-American nations, and so we are very pleased that he can address us on the subject, “The BRICS Process is Transforming Ibero-America”. Welcome, Dennis, to our conference.*

Dennis Small: Thank you very much, and it certainly is a great pleasure to be able to speak to you, especially on an auspicious occasion such as this, where we are witnessing, even as we are speaking right now, a massive avalanche of nations signing on to the Asian Infrastructure Investment Bank; really, signing on to the entire BRICS process. The last 48 hours have seen not only Russia and Brazil joining—the Brazil angle is particularly interesting, as I’ll discuss briefly a little bit ahead, since it is one of the BRICS members, and *the* BRICS member from South America. In addition to that, Spain, Holland, Denmark and Georgia have also joined on with the AIIB. So this is an avalanche of countries joining in on this, over the objections and the hysteria of Barack Obama and the Queen of England.

I think it’s important to state something that should be obvious, but isn’t to a lot of people who observe events around the world, which is that avalanches are not explained by the behaviour of individual rocks! Avalanches are caused by a broader process, which sweeps rocks up in them and produces an effect, and if we do this in the right fashion, *this* avalanche is going to bury the British Empire in the rubble where it belongs.

The chessboard—to switch metaphors right away—was kicked over, on the global scene, in particular with the July 2014 BRICS/UNASUR joint summits in Fortaleza, Brazil and Brasilia, Brazil. [UNASUR is the Union of South American Nations –ed.] I’m speaking not only of the BRICS summit, which did happen on the 25th of July, but the next day was a summit of the BRICS with UNASUR, which is the Union of the Nations of South America. And it was the combination of the two, which unleashed the process we’re seeing today, in terms of the global, very rapid expansion of a replacement system for the current, bankrupt international financial system.



Dennis Small addresses the CEC conference, 28 March 2015.

This global process, dating back in this expression to July of last year, got a new, very important boost on, as it happened, the same day—three events happened the same day, which was March 12th—when two gentlemen from Germany, Frank-Walter Steinmeier and Helmut Schmidt, and then a putative Presidential candidate in the United States, Martin O’Malley, all made statements which rocked the system to its very roots. The O’Malley statements are particularly important, because they placed the issue of Glass-Steagall front and centre in American politics, and, in particular, in the Presidential campaign. This is absolutely essential, because Obama is the single biggest and most important obstacle to this global process that is under way by the BRICS, expressing itself in many continents around the world, and Obama has to be removed from office. Lyndon LaRouche, in discussions today, reiterated this as the crucial thing that has to happen immediately: he must be removed from the Presidency of the United States, or what is otherwise a very promising situation in Africa, Eurasia and Ibero-America and elsewhere, is going to run into a little problem, which is that Obama and company are well along the way to triggering global thermonuclear war, and they *will* do that if they are not stopped. So that’s the immediate situation we’re facing.

To locate what the BRICS summits—of the BRICS and UNASUR—in July of 2014 helped trigger,

avalanche style, it's important to look back just one month or two. Obviously we could go way back in history, but just look back about a month before, where the country of Argentina was in the middle of a big battle—still is—against the vulture funds that were trying to impose looting on the country, whose consequences would clearly be simply the genocide of the population. And the government of Cristina Fernández de Kirchner was refusing to go along with the vulture funds; she was standing up for the sovereignty and the development of the country, and was not caving in.

In June of 2014, *Executive Intelligence Review* published an article asking a simple question: would Argentina become the first nation in the trans-Atlantic financial system to jump ship, get off the sinking *Titanic*, and say, “We’ve had it with this system, we’re going to go in different direction”—towards what was, then, clearly the motion towards the Eurasian Land-Bridge, but not yet the political explosion that occurred with the BRICS? We answered that question in the affirmative: yes, Argentina would be bolting, it would be leaving. Mr LaRouche put it simply: they don’t have any choice, if they want to survive, other than to do that. If they were to do that, Mr LaRouche forecast, you would see a wave of support throughout South America, throughout Ibero-America, and they would be pulled in the same direction because of an underlying historical tendency in the region, because of the leadership provided by Argentina, but especially because of the context of the global avalanche that was already under way. The rocks hadn’t started moving yet, but that process was there. And LaRouche was right.

What happened with the July 2014 summits of UNASUR and BRICS, you can see in **Fig. 1**, which is a map which simply shows the combination of the BRICS countries (dark green) and the UNASUR countries (light green). What you have in the agreements reached at that summit is approximately half the population of the planet. Half of humanity, at that meeting, split and went in a different direction. And



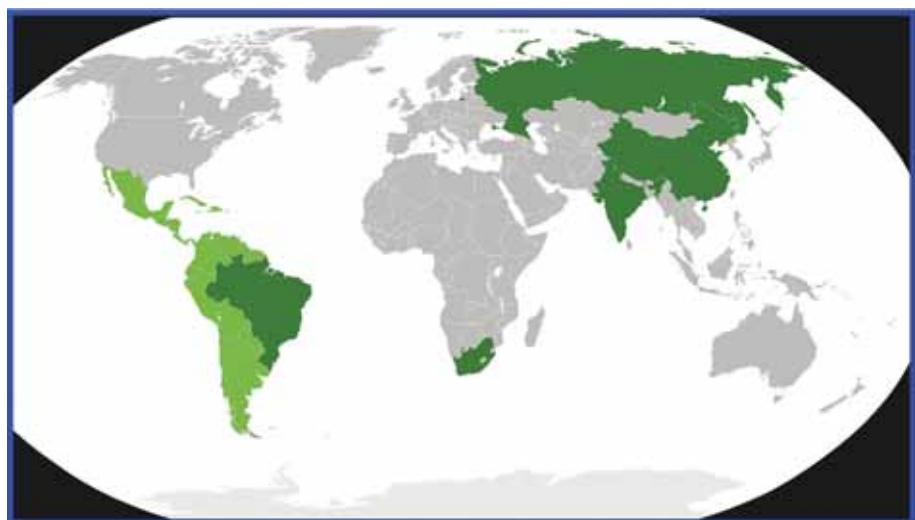
The day after the main BRICS summit in Fortaleza, held 25 July 2014, BRICS leaders met in Brasilia with leaders of the nations from the Union of South American Nations (UNASUR). Their cooperation has set off an avalanche of infrastructure development projects.

it was the relationship of what the BRICS were planning to do, and were doing, and pulling UNASUR behind them with Argentina leading the way, which caused the effect.

The significance of this is that it led to a process where the entirety of the continent did, in fact, move along with the BRICS. You do have half the planet now moving in this direction. It’s growing day by day, with the countries joining the AIIB from Asia and elsewhere. You have things moving in Africa, as well.

What’s really interesting is what’s going on in Europe right now, because Greece, today, is in a situation similar to what we saw with Argentina in the early part of 2014. I think we can and should ask the question: is Greece going to be the first European nation to jump ship and to say, “We’re out of it, we’re out of the euro, we don’t want any part of this; we’re going to Plan B, we’re going to the BRICS, we’re going to develop economic relations that will allow us to have sovereignty, to have our population survive and not undergo the genocide we’re facing today”? I think it’s fairly safe to say, I’d venture a guess—or a forecast—

FIGURE 1



that, by the time of the next BRICS summit, which is going to be in July of this year in Ufa, Russia, we will see a process with Greece in the leadership, where Europe will be in motion, already very dramatically, towards the BRICS. I think that's already going on, with this avalanche into the AIIB.

BRICS-UNASUR Cooperation on Physical Economy

As we look at the South American, or the Ibero-American situation in more detail, keep in mind that we're talking about the current situation, but we're also looking at the past, and looking at what the future is rapidly becoming. This is a single, unified process.

At the BRICS/UNASUR summit, everyone's attention, during and since, has been focused on two institutions that were created: one is the New Development Bank, and the other is the Contingent Reserve Arrangement. Those are important developments; they are the seed crystal of a new international financial system. But, I don't think that was what was most important about that summit. It may have been what was most flashy, but not most important.

What was most important is that a series of agreements, bilateral and multilateral, were established for the rapid development of the physical economy of the region. The physical economic agreements reached there, and the process set in motion there, is far more significant in terms of changing the global dynamic, than simply financial institutions. Financial institutions have to be adapted for that physical-economic requirement.

What did they set up? Nuclear energy, and then moving forward into space and into fusion power as well, cooperation with Russia and China in this area; the development of education and scientific and technological advancement for the youth; programs which have begun a shift into a future-oriented economy, looking at the physical-economic side of things. You have countries like Ecuador, which had been devastated by looting under the debt system, now talking about building a "science city". You have Bolivia, one of the most impoverished nations in the region, with huge difficulties, having decided—to quote their own vice president—that nuclear energy is the technology of the future; it is the fire, as Prometheus brought fire to humankind, and Bolivia is now moving towards nuclear. They're training an entire generation of youth, who previously had no hope whatsoever, in nuclear energy.

Argentina, however, has continued to provide the real engine of the process in the region. Argentina has just begun the construction of their fourth nuclear plant, and this is being done in combination

with China; China has come on board. Back in 2001, Argentina, after decades of looting, defaulted on their debt, and in 2003, under the husband of the current President, then-President Nestor Kirchner—his widow Cristina Fernández de Kirchner is the President today—they imposed a unilateral debt reorganisation and a write-down of the debt, a very significant "hair-cut", which turned the country around and allowed them to get back on track for actual physical-economic development. They're involved in launching their own rocket into space. They have developed their own spacecraft, which has been put into orbit for them so far. They have the highest wage and pension levels anywhere in Ibero-America. They're rebuilding their entire railroad system.

Again, this is because Argentina has a background and a history of a strong orientation towards a constitutional Hamiltonian system. The Argentine constitution is modelled on that of the United States, and Argentina, like the United States, did have a national bank. It established a national bank in the country, a Hamiltonian national bank, in 1892. So much was it a Hamiltonian bank, that in its founding documents they cited Hamilton, so they knew exactly what they were doing. This is what was there, and under the Kirchner presidencies, first Nestor and then Cristina, what happened is that they explicitly based their development approach on Franklin Delano Roosevelt and his policies.

Let me read you one or two quotes from President Fernández de Kirchner, to give you a flavour of her approach. On March 1, in her speech before the National Congress, which was a kind of a State of the Union speech, while 300,000 citizens were listening outside in the plaza on giant TV screens, she talked about the fact that Argentina was building a new future and new strategic alliances. She said, "You cannot be so stupid, so colonised, so intellectually subordinate, so lacking in neurons, as to not see the reality of the world. China is on its way to becoming the most important and largest economy in the world. We are in a different world: no-one could imagine in 2008, what was going to happen in the world today." And in earlier remarks during that same speech, she had talked about the financial crisis of 2008. She said the only thing that had happened in response to that, was more bail-out of what she called the shadow banking sector—"And all", she said, "for new derivatives; fundamentally, they went to tax havens." So she knows what the score is, and I think her leadership has been very important in Ibero-America, in pulling the whole continent in the direction of the BRICS, as per the agreements established with UNASUR.

What were some of the other physical-economic agreements established at that meeting? **Fig. 2** shows you a little bit of how the world actually works, in terms of

physical economy. The Chinese have begun to build, with Nicaragua, a new inter-oceanic canal that cuts through the isthmus of Central America, and is going to be gigantic in terms of its capabilities. It will be able to handle ships *ten times* the size, the deadweight, of ships now going through the Panama Canal, so what is now a bottleneck will become a through-way, internationally.

What I've drawn on this map is a simple indication: from Belem in Brazil, which is near the largest iron mine in the entire world, in the Carajás mountains, Brazil (I know that Australia is also very big in iron ore, also in exports to China), Brazil is going to be able, instead of shipping across the Atlantic as it now does, which is a 22,800-km route and takes 36 days, to ship through this new Nicaraguan canal, which will be ready in about five or six years. It cuts the time to 32 days and the distance to 20,500 km. That's about a 10 per cent difference, which in international shipping is quite significant, but let me just add: if you look at the World Land-Bridge map, which I have included on the

FIGURE 2



Fig. 2 map as well, with high-speed or maglev technology for this entire World Land-Bridge, you will be able to travel the rail route from Belem, up through Central America, up through the United States, across Canada, across Alaska, under the Bering Strait, down through Siberia and Russia, down to Shanghai. And that route, although you can't tell from this map projection, if you look at a polar projection, is about the same distance as the sea route. But it won't take 32 days to get there; it will take about 30 hours, 40 hours. You're talking about an increase of one order of magnitude, of reduction of the time required for transport of goods and passengers. Where technology is taking us in the future, is towards these kinds of gigantic leaps.

Another very important development project that was established, and is already under way and being built, as you can see in **Fig. 3**, is for a transcontinental rail route crossing South America, from Brazil over to the Pacific coast where Peru is located. I've marked on the map two possible routes: one a northern route, which goes through Brazil and then cuts over to Peru—in between you have the Andes; this is not a minor problem! It takes quite a bit of engineering, but it's absolutely doable. Then there's the southern route, which goes through Bolivia as well as Peru, which is preferable just because it's good to involve more countries in this. This is a long-standing dream. Mr LaRouche has proposed this kind of transcontinental railroad going back decades. We've published about it, but actually the project, and the whole idea of integrating Ibero-America in physical-economic terms, dates all the way back to Alexander Humboldt in the 19th century, who toured

FIGURE 3



FIGURE 4



the Americas and designed a plan to link up the river systems of South America to one continuous river system of the Rio de la Plata, the Amazon and the Orinoco. His idea was that you cross the Caribbean and go into the United States, and up the Mississippi and the Missouri: one integrated physical-economic project. This has been around since Humboldt's time. Now, it's being done.

LaRouche's Ideas in Mexico

If you look at Fig. 4, this is a locator map, so that you know where the countries are that I'm speaking about: Brazil, Argentina, Bolivia, Peru. I've also marked Mexico, because, in closing, I want to say a couple of things about Mexico. Mexico is like Argentina, where Mr LaRouche has visited, and met with the President of Argentina in 1984, met with the entire scientific elite of the country, laid out the policy of nuclear energy, discussed beam weapons with them, and is known, is an institution in Argentina; it's a very live process in that country today which matches and mixes with their own tradition of Hamiltonian nationalism.

In Mexico LaRouche is almost a folkloric hero, because his relationship with President José López Portillo back in 1982 was essential for laying out the parameters for the kind of development which Mexico also requires. Mexico, too, has had a U.S.-constitutional basis for its policies in many periods of history, including that of López Portillo, and, interestingly enough, in this recent period coming off the BRICS meetings, Mexico, despite its unfortunate proximity

to the United States—when Obama is President, which limits their ability to do a whole lot—Mexico had signed on to a series of deals with China for high-speed rail, for a rail line crossing the isthmus of Tehuantepec where Mexico narrows, for a series of projects. That, unfortunately, was cancelled because the Mexican President was subject to massive pressure, first from Obama's White House—we know this as a fact—and then, secondly, just a few weeks back, he was invited to London, where he spent some time having a banquet with the queen, he rode in the gilded carriage of the queen (we don't know what happened

inside, I shudder to think about it), and he emerged from this process of being browbeaten and having his arms broken, cancelling the deals with China and re-asserting a commitment to the United Kingdom to let *them* come in and exploit Mexico's oil.

This is bad, but it's not the worst thing in the world, because the world is changing. This is not going to stick, because Mexico has a tradition, the avalanche is under way, and LaRouche's ideas are out there in Mexico in a prominent way. The avalanche depends on leadership—there always has to be leadership to channel the thing; it depends on this global process; and it depends on the meltdown of the system that is occurring.

Let me give you an idea of how scared people are of LaRouche's ideas, in Mexico as in all of Ibero-America, because it is this which is dragging the continent along with the BRICS process. The LaRouche organisation in Mexico, which is the equivalent of the CEC, but in Mexico—they don't have a big electoral capability as you have there, but long years of presence in Mexico—it's called the Mocila, the LaRouche Citizens Movement of Mexico. Our members there were recently permanently barred from entering the Congress of Mexico, because they were accused of disrupting meetings in the Congress. What actually happened was that at a meeting of GLOBE International, which is a legislators' group run by the British—GLOBE, pushing green policies for Mexico—had a forum there. They hired private security, inside the Congress of Mexico, which is a violation of law, and when a couple of our members in Mexico stood

up to denounce Malthusianism and the “green economy”, three of them—all women—were beaten up by these goons hired by GLOBE. We were then accused of disruption.

GLOBE then proclaimed bankruptcy, ran out on their debt to Mexican Congressmen, made the Mexican Congress pay for it, and forced Mexican Congressmen to ban our organisation from setting foot inside the Mexican Congress. Some may say, “Well that just shows, you know, they’re very powerful.” I think it shows that they’re very weak. I think they are completely terrified, the British are completely terrified of the process under way globally, which in Ibero-America is moving forward very rapidly, and I think we can look forward to a period immediately ahead, where that same kind of process is going to be repeated in Europe. Then, getting rid of Obama, the way is cleared to the kind of transformation, globally, which is required.

Discussion Excerpt

Craig Isherwood: When you talked about the avalanche sweeping the British Empire away, there was a roar and a cheer in the crowd here. Just so you know that we’re of one mind!

Oliver Carter: My friend, I see Australia’s missing out on the World Land-Bridge. It’s obviously because of deep water. Why hasn’t someone come up with a solution for this? I suggest we could connect in with that Land-Bridge, and we should. It can be done, I believe, by submerged pontoons holding a tube through which a train could run.

Dennis Small: Well I’m certainly no expert in submerged pontoon technology, but I agree with you: anything is possible, so long as we set our minds to it, and that it’s coherent with what needs to be done and can be done. There are all sorts of technologies and capabilities that simply need to be developed, all of which have been held back because the intention of the British, as you’re well aware, is to make sure that those things never occur. So why should a little water, even salty water, be an obstacle to the complete integration of Australia into the World Land-Bridge?

In point of fact though, if you look at it from an even higher standpoint, we have the World Land-Bridge. We have the Maritime Silk Road as well. But the real road of the future, the real transport corridor of the future, is to outer space, is to the solar system. And Australia is as close or as far as Russia or China, or the United States, or Argentina or Zimbabwe, to the Moon and to Mars. And that’s the true highway of the future, that’s where man must go.

Alen Praporski: I’m part of an organisation called Fair Money Australia, which deals with the way money works in society. My question is about the national banking that you’re talking about. From what I understand, that talks about money being created by the sovereign state with no debt attached, and that will be used, as I believe, to do all these magnificent projects, which is amazing. My question is: What happens with the privately-owned banks and their right to create money in society?

Dennis Small: Private banks should have no right to create money. They unfortunately do, it’s true, but they should have no right to create money. First of all, money doesn’t really exist in any real way, it’s just a convenience. It’s always important, when you’re analysing an economy, to not start from money. Start from the physical-economic reality: we are a species which has a characteristic way of reproducing itself within nature, as all species do. Our characteristic way of reproducing ourselves is by developing our creative capabilities to master science and classical culture, so that by constantly advancing we change our own species-nature. In other words, we’re the only species whose species-nature is to change itself in its characteristic, and we do that through mental activity, through creativity.

That’s the fundamental point of economics, not money. That being the case, the crucial question is: How do you organise and foster creative activity, such that the physical economy prospers to be able to maintain an ever growing potential relative population density, which is the moving metric LaRouche has designed to discuss a physical economy.

If you do that, then the issue of money falls into place. You don’t have a financial system, you need a credit system, in which certain financial instruments are created and used by sovereign nation-states—not by individuals—for the purpose of fostering the creative development of the productive powers of labour. Within that context, of a state performing that function for the betterment of the common good of the population, you then have the financial institutions, organised downwards from that overriding principle.

Therefore, in a situation like today, where you have two quadrillion dollars in financial assets backed by absolutely nothing other than the threat of thermonuclear war—two quadrillion dollars that is growing at a rate like a cancer, while the physical economy is collapsing—the solution is really fairly self-evident. You wipe out that two quadrillion dollars, and create a credit system on a Hamiltonian basis, which answers to the physical-economic needs—that is to say, which will foster the creative development of every single human being on the planet.

Developing Egypt through the BRICS

Hussein Askary

*Arabic Language Editor, Executive Intelligence Review;
Chairman, European Labor Party, Sweden*

Hello, this is Hussein Askary. I'm talking to you from Stockholm in Sweden. I'm honoured to be able to address you, this CEC international conference in Australia. I would like to thank the organisers of the conference for providing me this opportunity. We have written several articles in *Executive Intelligence Review* in the recent months, until recently, about the economic development potential for Egypt, our own proposals and what has been achieved. This week in *Executive Intelligence Review*, the feature article is about my report on the Egypt Economic Development Conference and the International Water Technology Conference in Egypt, which I attended in Sharm el-Sheikh in early March. And I was in Egypt for one week from the 9th to the 16th of March. I spent three days in Cairo and then five days in Sharm el-Sheikh, where the conferences took place.

The map of the of the World Land-Bridge (**page 16**) gives you an idea of the position of Egypt in the context of the LaRouche movement's idea, which has now been adopted by China and many BRICS countries for the construction of the development corridors between the continents. Zooming in (**Fig. 1**), you can see the "12" position of Egypt, which is in a very interesting strategic position, both on the Land-Bridge and what the President of China called the Maritime Silk Road. Egypt's position between three



Hussein Askary addresses the CEC conference via video recording, 29 March 2015.

continents and several seas makes it a key element, both politically, economically, and even culturally, for the future of this international project.

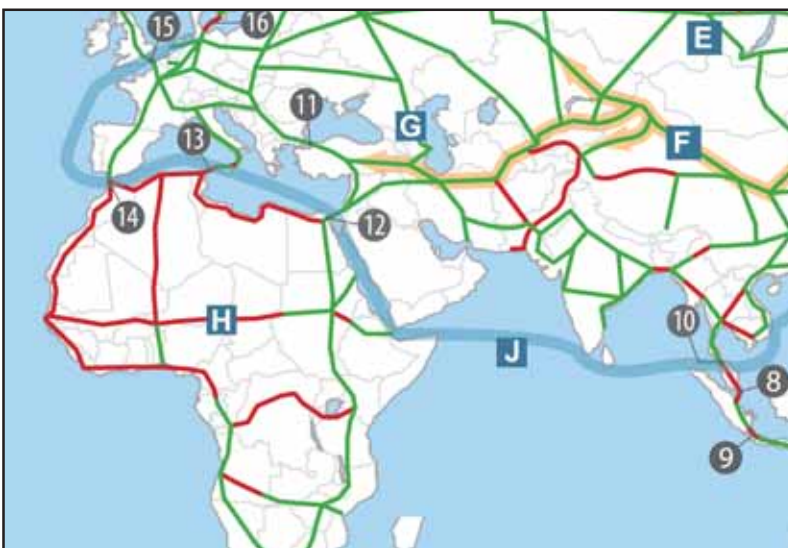
When I was in Cairo, I saw first-hand, by seeing the city itself and talking to the people there: Cairo with the Nile, everything looks beautiful. The problem is that Cairo, with 20 million people population, is an exhausted city. You can see the scars of 30 and more years of destructive economic policy, which was followed by the Egyptian governments under the control of such international institutions as the International Monetary Fund, the World Bank, who were collaborating with the United States and the EU governments for free trade deconstruction

of the economy and no investment at all in the infrastructure, education or the health care of the population. You can see very clearly, how tired this nation is of these policies.

When you go to the Nile, in the central part of the city, you are faced with a huge building (**Fig. 2**), which is burned down and it's kept in that way until now, since 2011, because it's a reminder for both the people and the politicians in the country, that the nation is no longer going to tolerate the same policies again. This is the building of the former dictator, Hosni Mubarak's ruling party, the Democratic Unionist Party.

What people in Egypt hate most—there are several things they hate

FIGURE 1



In this detail of the World Land-Bridge map (**page 16**), the number 12 highlights the central position Egypt plays in both the land routes of the World Land-Bridge, and the Maritime Silk Road, the light blue line extending from Asia to Europe.

equally: they hate the poverty they've been subjected to, they hate the former dictator Mubarak, they hate the Muslim Brotherhood who almost destroyed the country, but they managed to save it in 2012. But also they hate equally, the World Bank, the International Monetary Fund and the Obama administration, which has wreaked havoc—also the Bush administration, but most recently the Obama administration—which has wreaked havoc all around Egypt: in Libya, in Syria, now in Yemen, with the allies of the Obama administration and the British and Saudi Arabia. The people in Egypt have lost faith in all these international institutions, and this has given the new leadership of President al-Sisi the possibility to seek new avenues for economic development, political and strategic relations.

It was obvious during the visit by President of Russia Vladimir Putin last February to Cairo, and the agreements that were signed, that Egypt is now entering what we can call the BRICS dynamic, that the government of Egypt has realised that all the previous policies are actually destructive policies and that the new path towards the future has to be charted.

The New Suez Canal

In the Sharm el-Sheikh conference, and the Egypt Economic Development Conference, it became very clear that the policies we have proposed for Egypt—actually since the 1980s, by Mr Lyndon LaRouche and Mrs Helga Zepp-LaRouche and their associates—all the way until now, with their ups and downs, that these policies for the reconstruction of the economy of Egypt now will be pursued and will be built.

There are certain pitfalls that the government of Egypt has to deal with regarding the credit policy and foreign investment, which I outlined in my recent feature article, but it's very clear, what you see in **Fig. 3**, showing President al-Sisi in the final session of the Economic Development Conference. He asked all the youth, the Egyptian youth in the room, to join him at the podium, and he spoke specifically about the future (the conference title was "Egypt the Future"), to outline both for the people and for the international community that Egypt is now having its potential, and its emotional and economic resources and human resources, directed towards the future.

At that conference, a number of very significant agreements were signed that are related to, first of all, infrastructure, energy production and agricultural development. I have outlined these projects, but you can see in **Fig. 4** the development projects. The rectangular area around the

FIGURE 2



FIGURE 3



Suez Canal will be one of the most active industrial zones in the whole Middle East and in Africa. Already the government has decided to build a new extension of the Suez Canal to facilitate the shipping activities in the canal between Asia and Europe. There will be along the more than 150 kilometres of both the new and the old canal, industrial projects of all sorts; there will be new ports; there will be railways; there will be factories for building trains in collaboration with China. There will also be a new port south of the Suez Canal at the El-Sokhna port, which is outlined as number 4 in **Fig. 4**, to build a new port, and power stations, and a railway extension to the south of Cairo, where there is an industrial area in Helwan. This

FIGURE 4



industrial area was developed actually under the former president Gamal Abdel Nasser in the 1960s and '70s. It includes the steel industry, cement industry, textile industry and so on and so forth, and military industries. This zone will be developed and integrated, in the whole Egyptian and international economy, as a new industrial and economic development zone.

There are also, because the lack of power in Egypt, deals signed with Siemens of Germany and General Electric of the United States, to increase the capacity of the Egyptian power generation by at least half the existing capacity now. But to fuel that power generation, they need to produce more conventional fuel like gas, oil and coal, to power this generation. Large deals were signed with British Petroleum, of all companies, and the Italian Eni, to produce new gas and explore for new gas on the Mediterranean coast of Egypt. The number 1, still in Fig. 4, indicates a zone there: that's going to be the site of the first large Egyptian nuclear power plant, which will be built by the Russian company Rosatom. This agreement was signed when President Vladimir Putin was in Cairo last February.

It's very clear that the intention of the government is to both increase the power capacity of the country, but also to turn the whole economy towards an industrial basis, because the previous policy was that the 90 million people of Egypt will survive on tourism, on exporting vegetables and fruits, and so on and so forth. That idea does not exist anymore. Yes, there will be agricultural development programs. Some of them will be directed towards export of food, but that will be a different policy, because Egypt's own self-sufficiency in food comes first, according to people in the government and people I've talked to.

Fig. 5 is the demographic map of Egypt, which is completely unnatural. Almost 90 million people, of

FIGURE 5

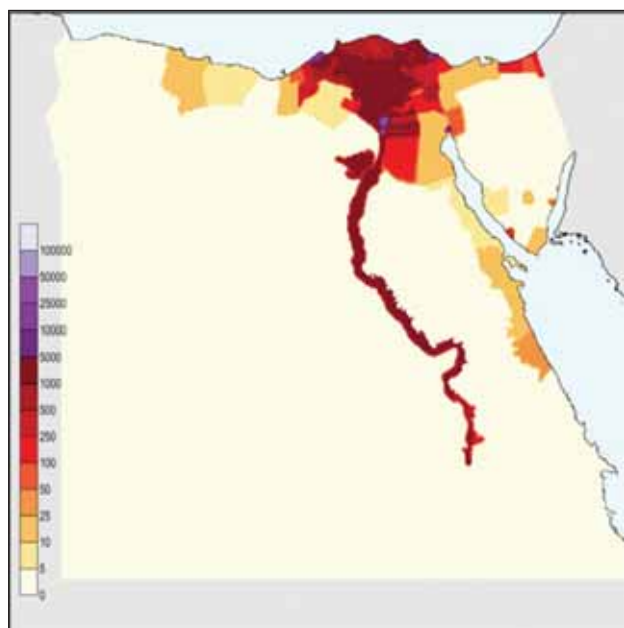


FIGURE 6

Baz Development Corridor, plus Agriculture



Egypt, live on only 5 per cent of the country. The United States aid organisations, USAID, the UN population program, the EU—many countries were pouring money into Egypt to reduce the population, saying that there is a population explosion in Egypt, while you have 94 per cent of the country completely abandoned, where you can actually have both agriculture and industrial development and building new cities to bring a large portion of the Egyptian people, especially the youth, into the desert areas.

Reclaiming the Desert

That brings us to the Fig. 6 map, which an Egyptian scientist who has been working with American space agency NASA, Dr Farouk El-Baz, calls the “development corridor”, which is based on building new agroindustrial cities in the desert through exploring groundwater. He and others have developed at NASA a technology for exploring the enormous amounts of water that exist under the desert in Egypt, Sudan, Libya—the so-called grand Nubian Sandstone Aquifer. And that will be utilised now for the building of new agricultural zones and urban industrial centres.

In these areas, you have also large amounts of minerals that can be explored through mining, but it also includes building high-speed rail from the north of Egypt all the way down to the border with Sudan. It will be connected with the existing Nile Valley infrastructure network.

The plan of the Egyptian government is to reclaim about four million acres of land from the desert and use modern technology, modern agricultural and irrigation

technology, to develop these regions. Now this will be divided into national government companies. Egyptian youth will be offered land plots, and international investors who could grow food there for export reasons. Both the President himself, at the Economic Development Conference, and other officials have announced that this is going to be the official policy of Egypt. Several contracts are already signed.

In **Fig. 7** we see the Minister of Water Resources and Irrigation, Dr Hossam Moghazy, speaking at the conference where I spoke on water issues in Africa. He, at that conference, the day before the economic conference—this conference was the International Water Technology Conference—announced, before going to the Economic Conference, that the government has already assigned one million acres of land for both water exploration and agricultural development.

In **Fig. 8** you see the same Minister Moghazy having his picture taken with the attendees of the conference. You can see that he's holding in his hand our special *EIR* feature on Egypt economic development. I'm somewhere there in the crowd. This was a very important announcement, that the people in this water conference, mostly young Egyptian scientists, will work on developing the water resources.

Fig. 9 is a picture of myself with Dr Saffei Elden Metwaly, who is a very interesting character. He's a scientist, the head of the Desert Research Institute. What is interesting with him is that he was educated and trained in the United States, together with NASA scientists, like Dr Farouk El-Baz, and he is of course very appreciative of the scientific culture in the United States. He is the kind of person who will be working on the desert development, using the most advanced space technology for exploration of groundwater and planning the agricultural land.

This is the kind of Egyptian cadre who are now emerging through the assignment of the government to rebuild the Egyptian economy. Those people are mostly young people. Of the 90 million Egyptians, more than half are under the age of 30, so you can imagine that they have the whole future ahead of them.

What I want to emphasise is that Egypt, both for strategic and political and cultural reasons, will be very important for the future development of what we call the BRICS dynamic. It's a very ancient civilisation, very young population, but a very proud people, too, and they are the most significant political and military force in the region. That is being eyed by enemies of Egypt and the BRICS as a problem, but also that's one of the pitfalls, which I have been warning against: that the Gulf countries Saudi Arabia, the United Arab Emirates and Kuwait, who actually donated enormous amounts of money to Egypt in this economic conference, about \$12 billion, they want Egypt to stay in the Anglo-American/Saudi

FIGURE 7



FIGURE 8



FIGURE 9



camp, which is now spreading wars all over the place. We saw this in Yemen yesterday or the day before, where the Saudi aeroplanes bombed the capital of Yemen. They want to drag Egypt into that trap to continue the sectarian and religious wars, which were already started with the invasion of Iraq in 2003.

I'm very confident that the Egyptian people, the intellectuals and the political elites, are not really interested in this, but the pressure is enormous. But I think that their idea is reaching into the future and working with the BRICS nations, and whoever else. Even if the United States changes its policy or Europe changes its policy, they will be ready to work with all those actors in order to be able to rebuild their nation, but also help stabilise the whole region and develop Africa.

We are working actively to make sure that happens, and I'm sure people on the other side in Egypt are both listening, but also taking note of these very important developments. So I hope this gives you a sense of the developments in Egypt. Thank you very much.

Developing Africa through the BRICS: Do We Have the Moral Fitness to Survive?

Ramasimong Phillip Tsokolibane *Leader of LaRouche South Africa*

Craig Isherwood: *I would like to introduce Phillip Tsokolibane, who has been with the LaRouche South Africa movement since 1992. That movement in South Africa came about when one of our U.S. associates, and our good friend, Al Douglas, visited the Republic of South Africa back then in the course of doing research into an organisation called Lonrho. This is the former London and Rhodesia mining company, controlled by the British Crown itself, and it's part of the Queen's personal fortune. He went through a research program which ended up in the production of this book, called *Tiny Rowland: The Ugly Face of Neocolonialism in Africa*. It goes through that history and is very interesting.*

Back in those days, 1992, when we first moved to Melbourne, when Al was working with Noelene and me to re-found the CEC as the arm of the international LaRouche movement, there was a known MI5-ASIO agent here, by the name of David Greason. He was running some pretty nasty demonstrations against us here, and writing some pretty nasty, inflammatory articles against us. In one of them, he observed, with surprise, "The CEC works late at night, and what in the world are they doing, calling South Africa?"

Well, now you know, with Phillip's presence here. The CEC was re-founded at the same time as the South African organisation was being founded. It was out of the same process, and here we are together, 23 years later, at this conference.

Back then, in 1992, the original leader of the LaRouche movement in South Africa was Philemon Sekoatle, who died in the late 1990s. Phillip stepped up to fill his shoes, and to ensure that the movement continues to this day. So we're very privileged, and very happy, that Phillip has been able to join us from South Africa, to give us his understanding of what developing Africa through the BRICS means. Please welcome Phillip.

Ramasimong Phillip Tsokolibane: Good afternoon. I know that back at home, it's "Good morning", well into the night. You are about nine hours ahead of us, so I should be sleeping by now, but I am here with you.

My name is Ramasimong Phillip Tsokolibane. I know you can't pronounce my first name, and even my surname, but "Phillip" is okay. I am proud to say that I represent the LaRouche movement in South Africa, as Craig has just said. I have come to realise both the awe-



Ramasimong Phillip Tsokolibane addresses the CEC conference, 29 March 2015.

some power and responsibility this gives me, representing the most important person and greatest thinker of our time or of any time, whose very name strikes terror in the cold hearts of the enemies of the human race, most notably that evil whore of Babylon, the Queen of England, and her cadaver-like, Nazi consort, His Royal Virus Prince Philip. It strikes fear in their toadies such as American President, Barack Obama, their very own 'house n-----', as I saw first-hand when we literally took over a demonstration of hundreds with the famous 'moustache poster', when Obama defiled our nation in a visit in 2013.

The oligarchs' monetarist system—which enslaves nations and the minds and bodies of their peoples with imposed and illegal debts—is finished. The time has come to make LaRouche's vision of a new, just world economic order the reality. We represent the *future* of mankind; it is our time, if we choose to seize this opportunity. If we say we are going to win, and are doing nothing, then

the British will always prevail. We have to work hard, put in efforts like never before. If we fight, we'll win. But if we just say the words that we'll win, and fold our arms, it will never be done. But we represent the future of mankind; it is our time, if we choose to seize this opportunity. For all their piles of worthless money, this oligarchy cannot stop us, because it cannot crush mankind's potential for creativity in the service of its immortal ideals of truth and beauty, which Mr LaRouche and his wife Helga have represented in their lifetimes.

As I flew over the vast ocean on my way to this meeting, I began to reflect upon who I am, as part of this movement. There I was, suspended in the air, travelling at high speed. What a wonderful creature man is, to have created such a means of conveyance. Birds can fly because they have been given that ability, to fly. Man, through his creativity, made himself capable of flight. No other creature could do something like this, by intent. No other creature has been given this capability by the Creator, as the creativity of man. We are not born with wings, but, yes, I flew over here, with about maybe 500 people on board. I didn't fly alone, but we flew. So, that's the creativity of man. That's what we are here to do.

You have just listened to Dennis Small, talking about China going to the Moon. That's creativity: going to the Moon to try and mine helium-3. No species could do that, but man can do it. That's creativity. That's what we've been given by our Creator, so we have got to use that.

Yes, we are here. I think other people are busy with cricket. That's entertainment. That was what the Romans used to do in the Coliseum: entertainment! Give them entertainment, entertainment. So, give them cricket, give them cricket! And you'll always be "Australia down under"—down under what? Down under the foot of Queen Elizabeth.

We Are Not Bound to This Planet

I looked up and realised that we are not even bound to this planet, or even this mortal coil. Man has travelled into near space and to the Moon, and our minds have ventured even beyond that, with our deep space probes such as Voyager. We are on Mars with the rover. China has sent its lunar rover with the mission to make it possible eventually to mine the Moon for helium-3, as fuel for the coming age of fusion power here on Earth.

So, we are, in fact, with our knowledge and actions, organising nearby space as well as more distant reaches of our solar system, just as the great Johannes Kepler understood we must, 400 years ago. Kepler was living in the stars—even as he was dying of starvation, here on Earth, as result of the policies of the same decadent oligarchy that now drives the world to the brink of thermonuclear extinction. Kepler believed, as did Nicholas of Cusa before him, in the possibility of man—in a future created by man's knowledge of the universe—as a force

changing the universe for the better by our actions. This is the awesome power of the human mind that Lyndon LaRouche connected me to, for which I will be always and forever grateful, and humbled. Maybe, if hadn't met Mr LaRouche, I wouldn't have known about all this. I will be forever grateful and humble, for that. But I think that one nice thing is that he didn't keep it to himself. That's what man must do. That's precisely what you must do. Our duty is to teach others—those who are enjoying cricket. Our duty is to teach them, that we are men, and we are here with a mission.

What's important to us, is—when you come to my funeral (I always visualise that), what's important is what this man has left for mankind. Not a beautiful car, not a beautiful house, because we are mere mortals, but we are capable of becoming immortal. People say, "No, it's impossible!" Yes, we'll die in the flesh, but there's the spirit. That's why we can still talk about Kepler and Cusa today. They long ago died, but we are still talking about them today, because we are living what they have left, and it is taking us up. So, when you come to my funeral, what will be important is what I have left behind. When times become difficult, what did you learn from me? Yes, the old man might go, Lyndon LaRouche might go, but what is he going to leave behind? It's important. I think we are sure that we can take on the British Empire, even without him, simply because he has taught us. We are now men and women who can take this cause on our shoulders and fight. When he started the youth movement, people were saying, "No, what's this?" But he was into the future, because without the youth this organisation will not live forever. So we have to have the youth. I see, yes, it's good, you have old people here, but where are the youth? We've got to invest in the youth. But the old people must teach the youth. They won't just come by themselves, if the elders are not there to take them along.

Kepler believed, as Nicholas of Cusa before him, in the possibility of man, in the future created by man's knowledge of the universe, as a force changing the universe for the better by our action.

I thought back to the place where I came from—a township, a ghetto just outside of Johannesburg, overrun with great misery, with no indoor plumbing, few paved streets and, throughout the entire country, unreliable electric power. These are the conditions in the townships, where I come from. Much worse off are the shack dwellers, the squatters—hundreds of thousands of them in the Johannesburg area alone—who have had to scavenge pieces of wood, bricks, plastic sheets, and corrugated iron to make homes for themselves in what are called 'informal settlements'. In the townships and informal settlements, poverty and unemployment are so high that they are not only demoralising, they are murderous. I see many people die before their time, of poverty and disease, including AIDS, in a genocide

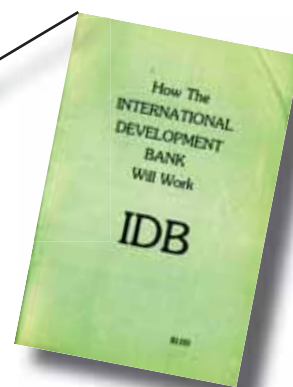
that could be prevented. Every Saturday, like yesterday, is reserved for the burials—which means we can't have a conference on a Saturday. It is reserved for funerals. We really bury people on Saturday.

I asked myself, "How can all of this unhappiness be reconciled with that great power of the human mind that places man in command of the solar system?" My answer was, "It cannot be reconciled. It is a perversion, an incommensurable." So, I say to you, "Do not try to accept or to reconcile them. Reject this current system, and change it, by imagining a different world and bringing it into being. That is the only way to solve this problem, created by the continued existence of the perverted and decadent monetarist world order. Think and live in the stars, think and live in the future, just as Kepler did."

South Africa is a member of what is called the BRICS group of nations. Together, they have formed the seed-crystal of a new economic system for the organisation of human productivity, the replacement of the dying monetarist system. But where did the idea for the BRICS come from? It is the result of the process set in motion by Mr LaRouche's attack on the bestial and murderous intention of the monetarist system dominated by the British Empire, and his proposal, exactly 40 years ago, to replace it with what he called the International Development Bank. It was through the organising of Mr and Mrs LaRouche in Russia, China, and India, in particular, that laid the foundation for the BRICS, no pun intended.

For those people who are not aware of what the LaRouches have been doing since this movement was formed: Helga Zepp-LaRouche was at times called the "Silk Road Lady". So, this is what the LaRouches have been doing all along. It didn't just come out as BRICS. People had to work very hard for the BRICS to be where it is.

So, because I see the great poverty of Africa, I have resolved to work tirelessly to create a new systemic solution to that problem, recognising that the monetarist system seeks to solve 'the African problem' by murdering our populations. I must make you see that finding a human solution to this crisis is not some intellectual exercise. It is an urgent matter of life and death. There is a sobering reality brought to this fight, when you finally and fully realise that if you fail, you and millions upon millions will die. That is the responsibility that we, who can see into the future, must bear. I feel its weight daily. Going to the future is like in the Bible, where somebody



Forerunner of the BRICS: Lyndon LaRouche attacked the bestial and murderous intention of the monetarist system dominated by the British Empire, by publishing his proposal exactly 40 years ago, for a new International Development Bank.

went to the mountain. Martin Luther King, Jr. mentioned that, in his famous speech: that you've got to go to the mountain, like Moses, and see the Promised Land. So if you can't realise that, if you can't see the Promised Land, if you can't see the future, then you can rather go and play cricket. But what is good with this organisation, is that you always go to the mountain. We will always uphold, that the future determines the present. What you are doing today, is going to be realised tomorrow, simply because we've gone into the future. We've seen the Promised Land. We've already seen, while others haven't seen, what BRICS will bring for humanity. That's why we are having this conference: that Australia must join. Well, the professor [Georgy Toloraya] said, not everybody will join, but even if not by joining, but being with BRICS in spirit, so that when you want loans you can go to BRICS. My President Zuma said that the New Development Bank is a new bank, where you come and say, "I need a loan," you won't leave without the loan, unlike the IMF, unlike the World Bank.

Pessimism is not permitted. I remain optimistic and have evidence for my optimism. Consider this: The 'inevitable', as some foolish people might believe, is really never so. Not as long as we remain creative human beings. Kepler and Mr LaRouche teach us this.

My late former President, the founder of modern South Africa, Nelson Mandela, thought like this. He was repeatedly told, even by his closest supporters, that to free South Africa from the evil apartheid system would require a bloodbath. "It was unavoidable", or so the British wanted us to believe. But Mandela imagined a different way, one that foiled British-inspired efforts to drown our nation in blood. To make this work, he had to recruit his so-called enemy, President F.W. de Klerk, to his view of a peaceful transition. And while

many thought this impossible, Mandela organised de Klerk as his partner, and together they organised both black and white South Africans to see their common interests and common future. Yes, we could have gone through a blood-bath, like other countries, who are our neighbours: Angola, Mozambique. I don't know if you know about those countries. They went through the blood-bath. What they had achieved under colonial rule was erased. They are trying to develop, which is difficult. Imagine if South Africa had gone by that way.

We are the only country in Africa that has nuclear power plants. That could have gone! The British would have just wiped it out. Even up to today, they are not happy that we have that capability. So, really, my President Mandela played an important part.

Dreams of African Development

But for Mandela's dream of a prosperous South Africa to be realised, he needed international allies. And while he received pompous and pious words of support, the British saw to it that there were no real funds for sorely needed development projects. The United States of America also failed to provide such aid, during Clinton's time. Had the BRICS existed then, Mandela would have found such allies in the fight for prosperity.

During World War II, the great American President, Franklin Roosevelt, travelled through Gambia, a British colony in West Africa, on his way to his meeting with Churchill at Casablanca. He was appalled at the poverty he saw, and how the British justified it. This—according to his son Elliott, who travelled with him—deepened his resolve to end once and for all the British Empire and all imperial systems of colonial enslavement. FDR realised that nations needed to escape not only political shackles, but economic colonialism as well. He was committed to great economic development for Africa and embraced an idea of building up industry and infrastructure throughout the continent. His plan involved using Australia, your nation, as an economic launching point for development, creating whole cities of industry and technology to which millions of Africans—and Chinese, as well—would be brought to work, and to learn the secrets of technology and modern industry that they then could apply in their own nations. So, I suspect that once you were a big nation.

In the war, Australia was assigned the mission of serving as a massive training base for allied forces, while also marshalling material resources for the war



South Africa's only nuclear power station, in Koeberg.

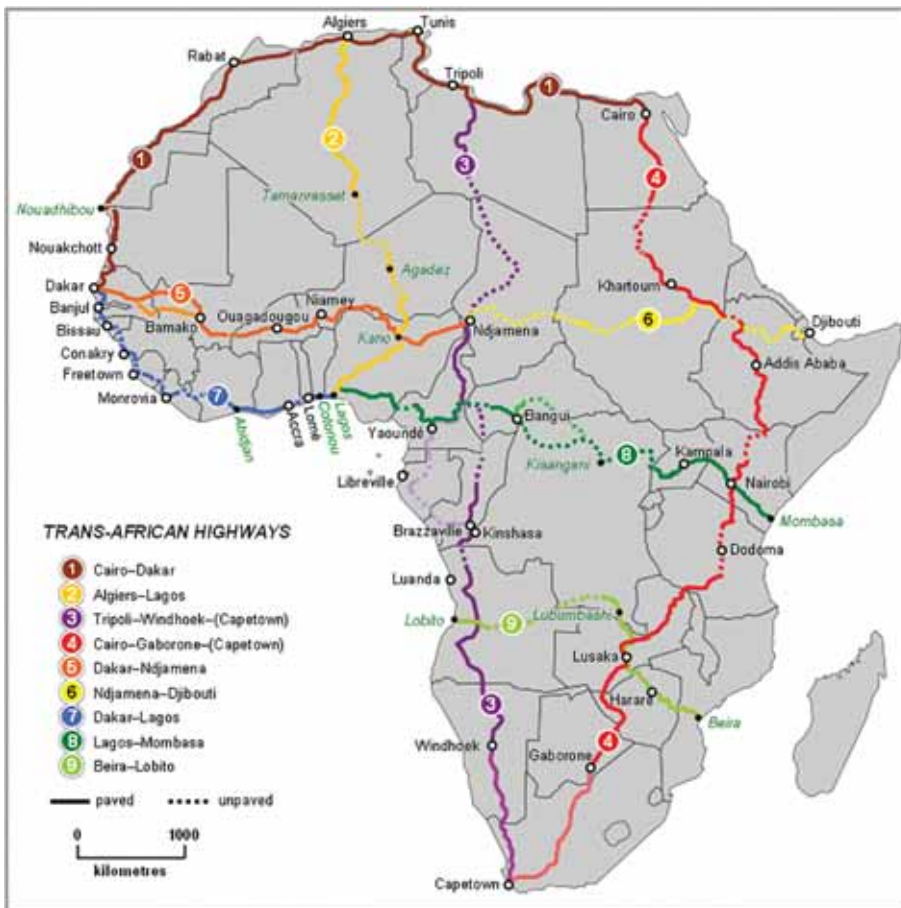
effort. But in FDR's planning for a new war on colonialism, he wanted Australia to break away from the British Empire, and ally with the U.S.—to develop its industry, expand its population, and serve as a base for the industrialisation of Africa, China, and India.

It is certain that these ideas were discussed with your visionary Prime Minister John Curtin, who shared much of FDR's outlook and whom FDR wanted to recruit to his anti-colonial crusade. Unfortunately, both men died before their dream could be realised.

We need to revive such a development perspective today around the BRICS, as the only pathway away from thermonuclear war, which we must never allow to become 'inevitable'. If we have the moral fitness to survive, we will do this.

I have urged my fellow citizens to support the petition of the Schiller Institute that calls on the U.S. to break with its current policy alignment with the British Empire and Wall Street, and join with the BRICS in supporting major economic development projects. We always run up against people who say "Screw the U.S. We should go it alone". But that just won't work: The U.S. must work with the BRICS—or else, with the U.S. on the wrong side, that initiative will be crushed. We need America, the U.S. to work with us. Right now, British agents in the U.S. government—such as that Nazi in the State Department, Victoria Nuland—have unleashed a destabilisation of South Africa to promote 'regime change'. The intention is take South Africa out of the BRICS. Even at this late hour, they still believe, or think that they can take us out of the BRICS and plunge South Africa into bloody chaos. My associates and I have exposed this plot. We will not let this happen!

We have told our fellow South Africans that they must take on the mission of leading the development of Africa, using the BRICS as the launching point. Take on development from that perspective, not merely for benefit internal to South Africa. I would urge you in



The African Union and China signed a memorandum of understanding in January 2015 to greatly improve, expand, and integrate Africa's continental transport systems, including the Cape to Cairo high-speed rail corridor (4 on the map above), road, aviation, and other energy infrastructure necessary for industrialisation.

Australia to do likewise; you are a big continent, with a lot of possibilities, but you think small. Under British influence, you have become a small nation. Think big, and act accordingly.

Thinking big is precisely what is required when posing a development perspective for Africa. Its problems cannot be resolved piecemeal, or country by country. That will never work. Africa must have projects that not only solve present urgent needs, but look to a prosperous future, with cooperation among nations and peoples who, under the British Empire's economic colonialism, have often been driven towards murderous conflict.

Today there are promising steps in the right direction. I will mention just three: The continent-wide transport infrastructure plan, the Cape to Cairo transportation and energy corridor, and the plans for nuclear power development in South Africa and Egypt.

The African Union and China signed a memorandum of understanding in January 2015 to greatly improve, expand, and integrate Africa's continental transport systems, including high-speed rail, road, aviation, and other infrastructure necessary for industrialisation.

Even before the agreement with China, the Afri-

can Union had initiated construction of the South-North transportation corridor of roads, rails, and bridges—running from Cape Town to Cairo. The project should also include energy infrastructure, according to South African President Jacob Zuma.

Nuclear power is coming to Africa through the efforts of South Africa and Egypt. Though South Africa has a power plant, this is going to be in addition. South Africa is committed to adding 9600 megawatts of nuclear power capacity to its existing 1800 megawatts of nuclear. Egypt plans to build reactors to provide 4800 megawatts, with Russia's help. The success of these projects will surely launch nuclear power planning throughout the continent. Yes, we have to start somewhere, but we hope and believe that Africa will go nuclear, so we'll have nuclear

power not only in South Africa or Egypt.

Make no mistake about it: It is absolutely impossible for both of our nations to fulfil our mission, if we remain members of the British Empire, kissing the ugly rump of the British whore Queen who presides over the so-called Commonwealth. It is high time we grew up as nations, and ended all ties with the British Empire. Let us agree to toss all the pictures of this evil Queen—the symbol of the evil that purports to rule this planet at present—into the bonfire of history, and let our peoples rejoice!

It is tempting on this big continent to think that you might escape the worst that happens in the rest of the world. South Africa has a similar problem, located all the way down on the tip of Africa. This is a delusion. If the rest of the world dies—or even a large portion of it—you will die eventually, as the popular 1960s novel by Nevil Shute, *On the Beach*, foretold. Though others have mentioned the movie, I'm talking about the novel.

Rather than hide from the world, let us all, together, seize this moment to redirect our world! Look no longer down at your feet and your land. Look up, with me, to the stars and beyond—that is our common destiny!

Thank you.

World War III, or a New Global Renaissance?



Report from Ukraine

Dr Natalia Vitrenko

Leader of the Progressive Socialist Party of Ukraine

Natalia Vitrenko, doctor of economics, heads the Progressive Socialist Party of Ukraine (PSPU) and the All-Ukraine Public Women's Organisation Dar Zhizni (Gift of Life). She was a People's Deputy of Ukraine (Member of Parliament) in the 2nd and 3rd convocations of the Supreme Rada (Parliament), 1994–2002, and a candidate for the Presidency of Ukraine in 1999 and 2004. Her address to the CEC conference was pre-recorded on 19 March 2015, and has been translated from Russian.

Dear conference participants! I am very happy to greet you. You are gathered today in Australia, which is far away from our Eurasian continent, and with such a wonderful topic for your conference: dedicated to peace. You are discussing new, unique investment projects, the new Silk Road, the Land-Bridge. You believe there will be peace on Earth, and you have dedicated your hopes and aspirations to this. This is wonderful! Believe me, this is what all sane people in the world want.

I regret very much that my country, Ukraine, is not a part of this process today. In my country, there is a civil war going on. My country is undergoing deliberate, sustained, and brutal destruction.

Not long ago, only twenty-five years, Ukraine was among the ten most developed countries in the world, measured by GDP per capita. Ukraine produced 2 per cent of world GDP at that time. Per capita, Ukraine's level of GDP was 11 per cent above the world average. We had full employment. All our factories were operating. Ukraine had more than 360 major industrial plants. Ukraine was an advanced agro-industrial country. We had rocket-building plants, ship-building, aircraft, auto,



Dr Natalia Vitrenko, former MP of Ukraine

and locomotive production. Ukraine has over 20 per cent of world's reserves of black earth soil. We had excellent harvests, and nobody went hungry. We had free education and health care. We could have children and bring them up, with full confidence in what tomorrow would bring.

But the Soviet Union was destroyed. It was destroyed by the Communist Party elite, which degenerated, and wanted to take ownership of what was actually the common wealth of the nation. They wanted to look after just their own children and grandchildren.

Ukraine has existed as an independent country for 24 years. What has my country gotten during that so-called

independence? Today, Ukraine's GDP represents only 0.5 per cent of world GDP. It had been 2 per cent, now it is 0.5 per cent. Expressed per capita, Ukraine's GDP is US\$4,000, as against a world average of US\$10,500. Thus it is now 60 per cent below the world average. We were 11 per cent above the average level, and now we are 60 per cent below it.

Why is this? It is because the economic ties were broken with those factories and regions, in tandem with which our economy had developed for decades. First and foremost, that means Russia, Belarus, the former Soviet republics. In this setting, life has not improved for the population. The figures tell the story. The average life expectancy in our country has fallen by two years, in these twenty-five years. It was 72, now it is 70. Men in Ukraine live to an average age of 62. The population is dying out. Ukraine had a population of 52 million people in 1990. Now there are 43 million left, without Crimea. Ukraine has lost Crimea.

The primary reason is the reform policy, imposed by the International Monetary Fund. This reform policy meant the privatisation of state property, which passed into the hands of a new oligarchy. That oligarchy is getting along quite nicely. Their families do not suffer any poverty. The reform policy ended government regulation of export and import. Commercial banking proliferated, and the banking mafia began to make money on Ukraine's problems. The banking mafia is also not impoverished. They're living quite well. The IMF reform policy for Ukraine prescribed a cheap-labour economic model. The subsistence level, the minimum wage, and pensions were suppressed, and that's why the overwhelming majority of the population is impoverished. According to the human rights ombudsman, in 2011, 80 per cent of the Ukrainian population was living below the poverty line established by the UN for Central and Eastern Europe, and the Commonwealth of Independent States countries. That is US\$4.30/day. Eighty per cent of the Ukrainian population received less, at that time. What about now? I'll tell you how things are now.

Ukraine faced the choice of whether to integrate with Russia, Belarus, and Kazakhstan—the Customs Union—or the European Union. What needed to be done, was to weigh and analyse these different options. And they *were* analysed. A special working group was set up, including specialists from the Russian Academy of Sciences Economic Forecasting Institute and the Ukrainian National Academy of Sciences Economic Forecasting Institute. This working group meticulously calculated what would be more beneficial for Ukraine. Their clear answer was that integration in the East, with the members of the Customs Union, would be beneficial and promising, and could actually save Ukraine. They showed that if Ukraine joined the Customs Union, it would experience an 18 per cent increase of GDP in ten years. This would

be the highest increase of any of Customs Union member. Russia would have 16.8 per cent growth in that time period; Belarus—16.1 per cent, Kazakhstan—14.7 per cent. But Ukraine would have 18 per cent GDP growth. Why? Because the barriers would be removed for Ukrainian goods to be sold in Russia, Belarus, and Kazakhstan. Prices on these products would decline and they would become more competitive, because of the lower costs of bringing them to market. Furthermore, Ukraine would receive much-needed investments for modernising its industry.

Do you suppose these were merely projections? No, indeed. Let me give you precise figures. In 2010, Yanukovich was elected President of Ukraine. His image was that he was supposedly pro-Russian and would re-establish close contacts with Russia. In April 2010, the Kharkov Agreement was signed, whereby Russia granted Ukraine a discount on natural gas prices. Everybody really hoped that there would be an intensive economic integration process between Russia and Ukraine. What happened in 2010 overall? In 2010, Ukraine's trade with Russia grew by 60.7 per cent, reaching the level of US\$41.9 billion. Russian-Ukrainian trade increased, and Ukraine obtained a huge market for its products. Ukrainian industrial output rose by 11 per cent in 2010. I'm talking about *industrial* output, which was the core of the Ukrainian economy. This is why Ukraine's GDP rose by 4 per cent in 2010. It was not only that gross exports to Russia rose, but the composition of Russian imports from Ukraine was 40 per cent high-tech products and 45 per cent products of a medium-technology level. In other words, this was creating demand for a highly skilled work force in Ukraine, so that when our children graduated from school, and university, there would be demand for their skills in the economy; 2010 showed that clearly.

Association with the EU

Alas, that same year President Yanukovich, upon taking office, decided to betray everybody. He betrayed his voters, who had believed that he would ensure economic integration with Russia. He deceived the West, where he started exporting his fast-growing personal wealth. He started assuring the West that he would bring about Ukraine's integration into Europe. That's why, in July 2010, Yanukovich's Party of Regions, along with the Communist Party and the Litvin Bloc, who together made up a majority coalition in Parliament, voted for the euro-integration of Ukraine. This was voted up by the Parliament of Ukraine, but it was done against the will of our people. It was done even against the pledges made by these political forces. Neither the Party of Regions nor the Communists had run on a platform of breaking ties with Russia and pushing toward the European Union.

On the contrary, our people had voted in two referendums, back in 1991, to be together with Russia and

Belarus, and to build a new, improved alliance. But then Presidents Kravchuk, Kuchma, and Yushchenko, followed by Yanukovich, trampled on what the population had voted for. Yanukovich and the Party of Regions started building up the myth that Europe wants Ukraine, and that Ukraine should move toward Europe and integrate with the EU.

Meanwhile, our academic economists, whose findings about relations with Russia I already mentioned, calculated what Ukraine would get out of integration with the West. What they found, the same Ukrainian Academy of Sciences Institute for National Economic Forecasting, was horrifying. In order to integrate with the EU, even just into the free trade zone mandated by an Association Agreement, would cost 160 billion euros to modernise the Ukrainian economy. Where would money like that come from?

When these calculations were presented to Prime Minister Azarov in the Autumn of 2013, and President Yanukovich, showing what Ukraine would get out of association with the EU, then they, too, started tearing their hair out over what was going to happen to the Ukrainian economy. They were late in tearing their hair out, of course. For three years, they had been circulating myths about the prosperity Ukraine would experience if it associated with the EU. This euro-psychosis was fanned for three years. But when, on 21 November 2013, the Ukrainian government decided to put the signing of the Association Agreement on hold, then the entire operation, which was pre-planned, prepared and paid for by the West, and involved a quite substantial section of the Ukrainian population who had been pushing for a move toward the West, kicked into action. And the Euromaidan began.

On 29 November 2013, in Vilnius, Yanukovich refused to sign the Association Agreement with the EU. That night, 29–30 November 2013, the peaceful Euromaidan ceased to be peaceful. Today, we all understand that the scenario had been pre-planned, in the interests of and paid for by the United States, and it was deployed by Presidential Chief of Staff Lyovochkin. Suddenly, the Berkut special police forces used inappropriate force against the students who were protesting in the central square. Although, from what I see about the events in Frankfurt on 18 March 2015, law enforcement there was very tough in breaking up a rally, where the demonstrators likewise had cobblestones and Molotov cocktails, and were burning automobile tires. And what about Ferguson, Missouri? In the United States, demonstrators protesting the shooting of a black



Helga Zepp-LaRouche (l.) and Lyndon LaRouche with Natalia Vitrenko at a Schiller Institute conference in Germany, April 2013. CEC National Secretary Craig Isherwood stands behind Vitrenko and LaRouche. At that time, Dr Vitrenko warned of the Nazi danger in Ukraine.

man were also dealt with harshly. But in Kiev, the demonstrators on 1 December 2013 grabbed clubs, chains, Molotov cocktails, and cobblestones, and they attacked the law enforcement personnel from the Berkut police special forces, who this time were unarmed. They didn't even have billy-clubs. The West, especially the United States, forbid Yanukovich to use force. They forbade it.

The February 2014 Coup

Then, on 21 February 2014, it was the Western countries—the foreign ministers of Germany, France, and Poland—together with Yanukovich and the leaders of the opposition, Yatsenyuk, Klitschko, and Tyahnybok, who took responsibility for signing an agreement that Yanukovich would step down and there would be a new government in Ukraine. They assumed responsibility for making it a peaceful transition.

But what unfolded then in our country? Even before 20 February, there were weapons on the Maidan. There were shootings of both demonstrators and the Berkut, by mysterious snipers whose identity has not been established to this day. Thus the “Heavenly Hundred” shooting victims came about.

And what came next in Ukraine? Did the Western countries not see during the Winter of 2014, that Nazis had taken charge of the Euromaidan in Kiev? These were parties and political forces who openly preach Nazi ideology. They don't hide it, proclaiming “Ukraine above all!”, “Ukraine for the Ukrainians!” They use Banderite slogans. Stepan Bandera was an agent of Hitler's military intelligence, the Abwehr. He collaborated with the Nazis, organising his people to lend Hitler a hand. At the Nuremberg International Military Tribunals, where the German fascists were put on trial, their helpers were also convicted. Article 6 of the Nuremberg Tribunal Charter said that the accomplices should be convicted and

punished. But in this case, the followers of Bandera and Shukhevych came with their black-and-red pro-Nazi flags, and their swastikas—either the Nazi swastika outright or the Wolfsangel, another Nazi symbol—and with portraits of Bandera, Konovalts, and Shukhevych, who were all Abwehr agents; and under slogans calling to “knife the Moskali”, which is a derogatory Ukrainian term for Russians, and “hang the Communists”. These were the marchers’ slogans on the Maidan. These symbols could be seen not only in Kiev, but both before the coup and after it, they spread throughout Ukraine. And the Western countries didn’t notice them.

From 23 February to 5 March 2013, our delegation of leading representatives of some Ukrainian leftist parties was able to tour Europe, visiting France, Germany, and Italy. This was organised by our colleagues from the LaRouche movement. I am very grateful, for their giving us the opportunity to hold dozens of meetings, press conferences, and interviews. Thanks to Members of the European Parliament from Italy, I was able on 26 February 2013 to hold a press conference at the European Parliament. We explained what was happening in Ukraine. Already then, we warned about the threat of civil war and the disintegration of the country, which could lead to World War Three. And I called on Berlin, Moscow, and Paris to unite efforts: specifically these three centres—Berlin, Moscow, Paris—to unite their efforts and prevent the Nazis from taking over in Ukraine; to help institute a ban on all neo-Nazi parties and movements in Ukraine.

If this had been done at that time, the subsequent horrors in Ukraine would not have come to pass: when dozens of people were burned alive the Trade Union Building in Odessa on 2 May 2014. When a peaceful 9 May demonstration in Mariupol was fired upon. When Crimea, upon seeing this Nazi coup, made its exit from

Ukraine. When the Donbass rose up, and blood is still flowing there. To this day. There are 50,000 dead, hundreds of thousands crippled, and two million refugees, including those who have left the country for political reasons. This is no small price that has been paid for the anti-Constitutional, neo-Nazi coup in Ukraine!

This is a tragedy for the whole nation; it’s not only the Donbass that is suffering. Ukraine as a whole has been sapped of its strength. In 2014, Ukraine’s GDP fell by 7 per cent. Industrial output fell by 10.7 per cent. In January 2015 alone, industrial output dropped another 21 per cent. The national currency has been devalued by two-thirds. Ukraine’s gold and foreign currency reserves today are only US\$5.5 billion. One year ago, they had been US\$24 billion. There is not even enough to cover three months of imports, which is the standard minimum level. For Ukraine, that’s US\$9 billion, but the country doesn’t have the reserves to cover it.

The IMF’s Terms

Meanwhile, Ukraine begs for the latest pittance from the IMF. On 11 March, they decided to lend US\$17.5 billion. But not all at once, rather over three years. In 2015, there will be US\$5 billion, which was already done on 13 March, and another US\$5 billion at the end of the year. A total of US\$10 billion. But Ukraine has *foreign debt payments* in 2015 of US\$11 billion! So the IMF loan is not even enough to meet the debt payments.

And what are the terms of the loan? They are absolutely monstrous. Ukraine ended 2014 with the largest natural population decline in the world. We have the second worst mortality rate in the world. But for natural population growth, defined as the difference between the death rate and the birth rate, we have the worst rate of decline in the world. And that was for last year. What will happen this year, under the IMF’s draconian conditionalities? Think about it: in order to obtain these miserable billions of dollars, the Yatsenyuk government, the Ukrainian Parliament, and the President of Ukraine agreed to a brutal hike in residential utilities rates. Natural gas prices will be increased 3.3-fold. Electricity will become 3.5 times more expensive. Heat—72 per cent this year. Hot water—55 per cent. Cold water—15 per cent.

How are people supposed to pay? I would like you to understand what the minimum



On 18 February 2015 the Ukrainian ambassador to Germany admitted on German television that the new Ukrainian regime “needed” the neo-Nazi battalions, such as the group pictured here, which was shown on the screen as he defended their role.

subsistence level of income in Ukraine is, for wages and pensions, as established by law. These levels were established in December 2013, for the 2014 government budget, which assumed that they would be indexed for inflation. But the new government did not do this, they didn't index the payments, although inflation in 2014 was 24.9 per cent, the highest rate of inflation in the world. The subsistence minimum income, established for Ukraine in December 2013 and still in effect, was, at that time, equivalent to US\$152 per month for one person. But with the devaluation of the national currency by two-thirds since then, the subsistence minimum is now equivalent to \$49 per month. The minimum wage is \$51. The minimum pension is \$40. That is what the state budget provides, per month, for a pensioner—\$40.

The average monthly pension in Ukraine is the equivalent of \$60. In addition, part of the IMF package is that pensions will be subject to a tax to fund defence spending.

The length of time a person has to have worked in heavy labour jobs, to qualify for a pension, has been increased by five years. The seniority level for professionals, before they receive a pension, has been increased. What a blow against our pensioners! I realise what a burden they are for the IMF. We have 14 million pensioners, one-third of the population. The IMF is looking forward to Ukraine's pensioners dying off, as fast as possible.

And not just pensioners! Working people, too. Look at wages. The average *hourly* wage in Ukraine today is 0.2 euros, that is, twenty euro cents an hour. The average wage in the EU is 23 euros an hour. Can this even be called a wage? This is why our people get sick, and they die.

And food prices are rising so much, that people cannot eat properly. On top of that comes the planned rate hikes for residential utilities.

The IMF demanded cuts in spending on education. The number of institutions of higher learning in Ukraine is being slashed by 60 per cent. The number of schools is being cut by 5 per cent.

The IMF demanded an end to subsidies for the agro-industrial sector. How are our farmers supposed to survive? How can they plant the crops? The calculation is that they'll be forced to sell their land. The Ministry of Agriculture has put three-fourths of the farm businesses in Ukraine up for privatisation. They'll be bought up by DuPont, Monsanto, and the like, on the cheap, so they can grow their genetically modified crops here, and flood Europe and the world with them.

This is what is being done to Ukraine:



Donetsk residents queue to collect their pittance of a pension (before Kiev cut off pension payments in far eastern Ukraine altogether).

war, death, hunger, and poverty. What will Europe get from this? What does Europe stand to gain? Do the Europeans really not understand, that the flames of war may flare up even more now, and then the seemingly local war in Ukraine will lead to a world war—to a conflict with Russia? Why do this?

I hope very much that peaceful initiatives will prevail. I hope very much that this nightmare in Ukraine can be stopped, and that Ukraine will be able to use its tremendous potential, its intellectual, industrial and scientific capabilities. They still exist. The people are still alive. I hope that Ukraine can turn to building things, and together with Russia, and Europe, and China, build new land-bridges, and the new Silk Road, and the program to develop the Moon, and so forth.

That is what I would like to wish for my country and for all mankind.

In conclusion, I would like to say something—because I am not physically there in Australia, but someone is there who looks a lot like me, and has therefore been called my sister: [CEC Executive Committee member] Gabrielle Peut. I would like to say this to her:

“My dear Gabby, I am glad to address you. I believe we will meet each other many times in the future.”

I believe that.



CEC National Executive Member Gabrielle Peut with Natalia Vitrenko at a Schiller Institute conference in Germany, October 2014.

The Strategic Showdown with Russia and China

Jeffrey Steinberg

Counterintelligence Director, Executive Intelligence Review

Craig Isherwood: *I'd like to welcome now to our conference Jeff Steinberg, who is the Counterintelligence Director and an Editorial Board member of EIR in the United States. We have the privilege in the Melbourne office of regularly hearing from Jeff on strategic developments around the world, so we're directly plugged in to what we have to do as a movement, and that gives us the sense of being part of the global LaRouche movement. It's easy for a political party and organisation in Australia to be isolated, but it's through Jeff's briefings every fortnight that we're able to be updated, and we really do appreciate that. That also means that Jeff has a much closer sense of what happens in Australia than most Americans, because we get the opportunity to brief him. He has had the opportunity in the past to travel down to Australia and see us in the flesh.*

Jeff is going to be speaking on the subject of the strategic showdown with Russia and China. I'd like you to give Jeff a warm welcome. Thank you.

Jeffrey Steinberg: Craig, thanks very much. I want to send warm greetings and congratulate all of you on this historic and most timely conference. I want to also thank Natalia Vitrenko, because she's provided a critical picture of what's happening today in Ukraine. It is extraordinarily important to understand what that Ukrainian situation represents, because right now we are closer to a thermonuclear war than we have been in any of our lifetimes. And seeing in the crowd that there are a number of people with grey and white hair, many of you were obviously around during the Cuban Missile Crisis, when, by all accounts, the world was on the absolute verge of potential thermonuclear destruction. Yet today, for certain reasons, the danger is even greater.

Number one, back at that time there was a certain understanding on the part of at least some of the key leaders in the United States and in the Soviet Union, that there was an awesome responsibility for protecting the world from extinction, because by the early 1960s the United States and the Soviet Union *alone*, had a sufficient arsenal of nuclear weapons to wipe out all of humanity. In fact, there were a series of secret communications—letters of correspondence, between President Kennedy and Soviet leader Khrushchov prior to the Cuban Missile Crisis. And in those letters, they reached a certain understanding that it was on their shoulders to make sure, no matter how tense the conflict between the two



Jeff Steinberg addresses the CEC conference, 29 March 2015.

contending superpowers got, that it could never come down to the idea that pushing a few buttons would lead to the extinction of mankind. So, even in the most dire moments of those 13 days of the Cuban Missile Crisis, you had a quality of leadership that understood that something had to be done to reach an equitable basis, walking back from the brink of thermonuclear war.

Back during that same period, Australia came to be known very widely as the result of a popular and scary movie called *On the Beach*, which dealt with the potential horrors of the extinction of mankind in thermonuclear war.

Today, I wish I could say that in the United States we had leadership in the White House that could be even remotely compared to President John F. Kennedy, but unfortunately, and very dangerously, that is not the case. And what has occurred in the period of the last 14 years, when we have had two successive presidencies that have been more loyal to the Empire faction in London and to Wall Street, than to the interests of the United States or any other nations on this planet, as the result of that, we have reached now the crisis point where the danger of a thermonuclear war cannot be ignored or



Even at the perilous height of the 1962 Cuban Missile Crisis, President John F. Kennedy (r.) and Soviet leader Nikita Khrushchov (l.) felt an awesome responsibility for protecting the world from extinction. Here they are seen meeting earlier in Vienna, June 1961.

underestimated in the least. This is not a process that simply began in this last 14-year period. It is something that was clearly understood by Lyndon LaRouche during the very early years of the launching of this political movement.

The 1971 Turning Point

Back in August of 1971, when President Richard Nixon completed the process, launched in London under the Harold Wilson government, of taking down the last vestiges of Franklin Roosevelt's Bretton Woods system, which was to rebuild the world in the aftermath of the Second World War and the defeat of Hitler and the Axis Powers, that takedown of the Bretton Woods system prompted LaRouche to publish an editorial warning on August 15, 1971, that the entire foundations of the post-war financial and economic system had now been torn apart. And all of the advantages would go to the speculators, to the gamblers, to the looters (Fig. 1).

What he warned about was a resurgence of the kind of genocidal policies that were last seen with Hitler, but in a new, more seductive form: the kinds of conditionality policies that from that point onward became the hallmark of the International Monetary Fund and allied agencies.

Reflect for just a second on what Dr Vitrenko just described about the looting of Ukraine over a very few years, and consider what has already been done since 1971 in Africa, in parts of Asia, in the Middle East and, more recently, in the heart of the trans-Atlantic region itself. What we've seen since the beginning of the breakdown of the entire Anglo-American financial system, beginning with the 2007–08 crash in the United States and picking up several years later in Europe, is that the genocidal policies of the British Empire, of the IMF, have the identical impact when they're imposed on Europe and on the United States, as they have had in the past

when they were murderously imposed on Africa, parts of Asia and the Middle East, and parts of Latin America.

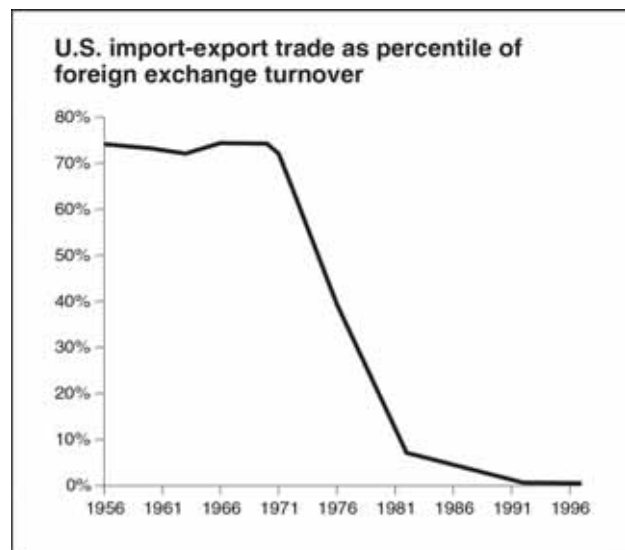
We are in a crisis right now of a particular magnitude. The process that was begun with the ending of the Bretton Woods system back in 1971 has run its course. It has taken over 40 years, almost 45 years to play out, but we have now reached the point where the bankruptcy of the entire City of London/Wall Street financial apparatus is the single greatest factor driving the world towards war, and potentially thermonuclear war.

When the earlier phases of this financial breakdown process began to play out in the late 1990s, when you had the Asia crisis, so-called, but it was really the beginnings of the breakdown of the global financial system, at that point President Bill Clinton in 1997 and 1998 began talking about the need for a new global financial architecture. And, rather than just looking to the advanced sector countries, he put together a larger group of nations to start looking at ways to combat the destructive role of the short-term speculative capital that ran rampant against economies all over the world.

The moment President Clinton began talking about the idea of a new financial architecture, his head was on the chopping block. You had the assault against the Clinton Presidency, which within a span of less than a year resulted in the President's going from promoting the idea of a new global financial architecture, of seeking out a new strategic partnership with Russia, to being a President with a figurative gun to his head, signing into law the repeal of Glass-Steagall, which became the next phase that accelerated the disintegration of what little remained of the real U.S. economy.

With the advent of the Bush/Cheney administra-

FIGURE 1



After 1971, when the post-war financial and economic system was finished off under U.S. President Nixon and replaced by floating exchange rates, all advantages went to the speculators. The graph shows one indication of this shift: U.S.-based foreign exchange (currency conversion) transactions, ceasing to be associated with the movement of physical goods by import and export, became primarily speculative.

FIGURE 2



tion in 2001 and following through with the election of President Barak Obama in 2008, we've been through a 14-year period, where the policy of the United States has been set by a faction in London, familiar to many of you, centred around the British Crown—centred around certain factions and institutions within London, not universally representative, but representing the hard-core and more and more desperate Empire faction, whose intention has been to prepare for war and to take the steps that would be required to bring about either a strategic surrender of Russia and China, or potentially the outbreak of the kind of war—big war—that we're seeing right now looming in front of us.

Warnings about a Showdown with Russia

There are a significant number of leading American figures who share with Lyndon LaRouche the view that we are facing the gravest danger of war that we've ever faced in any of our lifetimes: war, meaning a general war that could very easily and quickly turn into a thermonuclear war. And so, in the past months we've seen an outpouring of some veterans of the U.S. diplomatic and military establishment, who were involved directly in establishing the framework for the end of the Cold War, the end of the Soviet Union, the end of the Warsaw Pact, but under terms that were intended to lead to a prolonged period of peace and ultimate full integration and cooperation between East and West.

We widely publicised through the LaRouchePAC website, and through the *Executive Intelligence Review*, the speech that was given by Ambassador Jack Matlock several months ago (Fig. 2). Matlock was the last American Ambassador to the Soviet Union, in 1987–91, start-

ing at the end of the Reagan Administration. He was involved in reaching an understanding with the Soviet leadership that, in return for the Soviets accepting the idea of German reunification under still the umbrella of NATO, given West Germany having been a leading NATO member, the former Soviet and former Warsaw Pact territories would not be absorbed into the NATO system; that the areas between traditional Western Europe and the borders of Russia would be considered a buffer area, a neutral area, where economic cooperation between East and West would be the priority, but where there would be no attempted military or even economic encroachments to bring the NATO system, the European Union system, right up to the borders of Russia.

A map of NATO's eastward expansion (page 8) gives an idea of how this understanding—which was not a formal treaty, because there was a sense of common interests at that time, whereby nobody felt that the formalities of a treaty were necessary, but Ambassador Matlock, senior U.S. military officials who were involved at that time, similar European leading military and diplomatic officials, and others, have said clearly that this was the understanding—has been systematically violated, particularly over the last 14 years. As the result of that, we're now in a situation where NATO is sitting right at the border of Russia. Look at the Baltic states on the map, look at Poland, look at Romania and Bulgaria right on the Black Sea coast, and now the Secretary General of NATO is openly saying that he welcomes the application for Ukraine to become a member state of NATO.

One of the leading American military officials of the last half-century commented to me personally, at the very outset of the Ukraine crisis, that everybody who has any grasp of strategy understands that for Russia, Crimea is sacrosanct. The naval base at Sevastopol is the access through the Black Sea into the warm waters of the Mediterranean. This is an existential strategic red-line issue for Russia, but one that has no strategic significance for the United States, unless there is a wilful intention to go to war against Russia and to go to war against China.

So, it's widely understood that the actions that are



Neo-conservative guru Paul Wolfowitz (l.) was a strategic advisor to Secretary of Defence Dick Cheney (r.).

being taken, first by the Bush/Cheney administration and now by the Obama administration, are bringing the world to the brink of global catastrophe. The actions, taken by these two successive U.S. administrations under tremendous influence from the factions within London associated with the British Crown and with the longstanding agenda of mass population reduction genocide, have moved the world closer and closer to the brink of war.

Way back at the beginning of the post-Cold War period, during the presidency of George H. W. Bush, Paul Wolfowitz was a strategic advisor to the Secretary of Defence, Dick Cheney. He presented a doctrine called

the Wolfowitz Doctrine, which basically listed a targeted number of countries that would be subjected to regime change. The overall policy umbrella was to wage war against any nation or combination of nations that could emerge, at any time in the foreseeable future, to challenge the unilateral global military domination of the United States. With the end of the Soviet Union, with the end of the Warsaw Pact, this was to be the moment, in the eyes of these neoconservatives, for the United States to emerge as a dominant global power in a unipolar world.

In the late 1990s, even before President Clinton left office, you had the Project for the New American Century, which spelled out a perspective on behalf of the neoconservative apparatus. That apparatus then came into power with a vengeance with the George W. Bush administration, and brought us the Iraq War, the Afghanistan War, and many other things that followed under the Obama administration afterwards. In the case of George W. Bush, the administration was very clear and very open; it was dominated by neoconservatives that are part of a British imperial policy outlook, which they themselves freely describe as being part of that imperial world view.

Under President Obama, an only slightly different

FIGURE 3 **ANGLO-AMERICAN MILITARY ENCIRCLEMENT OF RUSSIA AND CHINA**



The U.S./NATO military build-up around Southwest Asia (violet dots) directly targets Iran and Syria, but the ultimate targets are Russia and China. The green dots along Russia's western borders mark the U.S./NATO European Ballistic Missile Defence System, which Moscow has called a *casus belli*. In the Asia-Pacific region, the yellow dots represent the constantly increasing U.S. military presence for confronting China, of which Australia has been made a central feature. U.S. Navy Ohio-class submarines armed with Trident II D5 submarine-launched ballistic missiles, shown in their typical operating areas, are the strategic nuclear capability that would inflict a first strike on Russia or China.

network of people, professing a different ideology but the same commitments, came in with the grouping known as the "humanitarian interventionists": people like National Security Adviser Susan Rice, and Ambassador to the UN Samantha Power. In 2011, in the midst of the international operation to overthrow Qaddafi in Libya, President Obama signed Presidential Study Directive 10, which established what was called the Atrocities Prevention Board as part of the National Security Council. Under this doctrine, a radical post-Westphalian, post-nation-state doctrine, Obama asserted that the United States and its allies had the right to intervene militarily, economically, or in any other way, to carry out preventive war, to overthrow regimes that might at some future point, hypothetically, carry out atrocities against their populations.

This kind of preventive war was banned at Nuremberg and was banned in the United Nations Charter, so we're dealing with a situation in which you have this kind of absolute commitment to war against any nation-state that may pose a threat to the unipolar Anglo-American Empire system, regardless of the fact that that system is right now on the brink of total bankruptcy.

Two Paths to War

There are essentially two broad paths by which this war danger can play out. On the one hand, you've had the military encirclement of Russia and China (Fig. 3), which has been a gradual but steadily building process over a number of years, first with the encroachment of NATO into Eastern Europe, then with the breaking of the deal that had been worked with Russia about a common missile defence system over parts of Eurasia. That deal was broken, and instead you have a unilateral missile defence system being installed—again, right on the edge of Russia, with the preposterous claim that it's really only directed against Iran, and that it's just coincidental that it's on territories right on the border of Russia (Map, page 11).

The United States is overhauling the entire nuclear war doctrine. You have a doctrine that was launched under Bush's first Secretary of Defense, Donald Rumsfeld, called Prompt Global Strike, which is based on the premise that the United States should be able to launch aggressive military operations against any nation, anywhere in the world, within a matter of just a few days. Part of this Prompt Global Strike involves using certain long-range ballistic missile capabilities of the United States that had been previously exclusively used for nuclear weapons. Now the claim is: well, some of them will be simply loaded with very powerful conventional weapons. In other words, it's a blurring of the lines of distinction between nuclear war and conventional war.

There is a major upgrade being done right now of the tactical nuclear weapons that are retained in Western Europe. People may not know it, but there are 180 American tactical nuclear weapons on European soil. Under a modernisation program, these nuclear weapons, called B61 Series 12, will be turned into intermediate-range nuclear warheads that can be either fired on longer range missiles or can be used in stealth fighter planes to penetrate fairly deep into Russian territory.

In other words, specific preparations are under way right now to fundamentally alter the nuclear balance, and Russia has recognised this and responded to this.

The other dimension of the war options that are being considered involves a lower end of the spectrum of conflict, but represents nonetheless a grave threat to world peace. You have the colour revolutions method of warfare, which Natalia Vitrenko just described very precisely as carried out in the case of Ukraine, beginning around November of 2013, from the moment that President Victor Yanukovich was persuaded to come to his senses and abandon the foolish idea of a rush into an Association Agreement with the European Union.

Those methods are not just being used in the Arab world and in Ukraine. Similar methods are being directed at Russian President Vladimir Putin himself, as was made evident when President Obama sent Michael

McFaul, not a professional diplomat, but a specialist in colour revolution regime change, to be the U.S. Ambassador in Moscow. This was an unprecedented provocation that was a further reminder that at the top of the U.S. government, there's no understanding whatsoever about the implications of going to strategic conflict with Russia.

This administration, under the umbrella of the so-called Asia Pivot, has similarly developed a new military doctrine targeted against China, that blurs the lines of distinction between nuclear and conventional war. Australia, of course, is one of the countries targeted to be drawn wholly into that containment and potential war-alliance, directed against China.

So we're dealing with a situation that is gravely dangerous and must be stopped, and there are important forces in the United States, including but not restricted to the LaRouche movement, that recognise that, in a certain sense, the only way to remove this danger of war is for the President of the United States to be removed from office on legitimate constitutional grounds, before we reach a situation where we have another Cuban Missile Crisis, but without any of the sense of responsibility for mankind that we fortunately had back in 1962 with John Kennedy and even with Nikita Khrushchov.

Terrorism: Asymmetric Warfare against the Nation-state

The other form of warfare that has been developed in Britain, under the British Monarchy, and has been exported to the United States and is a major danger, is forms of asymmetric warfare as an assault against the nation-state system. They are particularly virulent right now in the Middle East.

You have an alliance between the British and the Saudis which has a long history. Aspects of it go back hundreds of years, to the time of the British East India Company, when the tribal areas of the Arabian Peninsula were under direct British control. The Arabian Peninsula was a way station en route to India and on to China, for the East India Company, for the opium trade and other activities.

Right now, what we're dealing with is a situation in which the British strategy for the entire greater Middle East, Southwest Asia, Persian Gulf, and North Africa region is to create a new Hundred Years' War, a population war within the Islamic world, pitting Sunnis against Shiites, Arabs against Persians, and starting a process that, if it's allowed to get fully off the ground, will take generations, like what happened to Europe during the Hundred Years' and then Thirty Years' War, which decimated the European continent. Now we are dealing with a war inside the Muslim world, with 1.2 billion people or more.

One of the greatest vulnerabilities of this Anglo/Saudi apparatus is the fact that there is a growing chorus in the United States, demanding that the full



Former Senator Bob Graham (Dem.-Florida) speaks at a 7 January 2015 press conference in Washington, DC, along with, to his left, Congressmen Stephen Lynch (Dem.-Massachusetts) and Walter Jones (Rep.-North Carolina), and family members of 9/11 victims.

truth about what actually happened, what was behind the 9/11 attacks, must come out publically. That fight, in which our movement has played a pivotal role, centres today around the demand for the declassification of 28 pages, a full chapter, from the original Congressional Joint Inquiry into 9/11 that was carried out during 2002. It produced a report, which included a chapter that began to document the role of Saudi Arabia, the Saudi Monarchy, and particularly the Saudi Ambassador in the United States, Prince Bandar bin Sultan, in preparing and supporting the hijackers who carried out the 9/11 attacks. We don't know the precise wording, we don't know all of the details of what's in those 28 pages, but what we do know is that there is core evidence presented there that shows that Prince Bandar, other officials of Saudi Intelligence, and a major Saudi defence company with exclusive contracts with the Saudi Ministry of Defence and Aviation, provided critical logistical support for the 9/11 hijackers.

Prince Bandar bin Sultan is known in Washington as Bandar Bush, because he was such an intimate member of the inner circle of both Bush presidents, that he was considered virtually an adopted son of the family. That very Prince Bandar poured at least \$72,000 into the pockets of the 9/11 hijackers via agents of Saudi Intelligence. When the Congressional Joint Inquiry report was put on the desk of President Bush and Vice President Cheney back at the end of 2002, they immediately ordered the suppression of those 28 pages. President Obama was pressured during his 2008 campaign for the Presidency, to promise the families and the survivors of 9/11 that he would release the 28 pages. He swore up and down, face-to-face with 9/11 family representatives, that he would do exactly that. In fact, nothing has been done. The 28 pages have been suppressed. Now there is a groundswell in the U.S. Congress for the release of those 28 pages.

The issue is not just simply exposing what's already

widely known about the role of the Saudi Monarchy in sponsoring global Sunni jihadist terrorism. What those 28 pages open up the aperture for, is not just the Saudi role, but the British role. Prince Bandar was also known for having being the architect, along with Margaret Thatcher, of a British/Saudi deal called Al-Yamah. Under this deal, which was a barter arrangement, the British company BAE Systems provided enormous amounts of military equipment to the Saudi armed forces, upwards of \$40 billion in military equipment and an additional \$20 billion in bribes to leading Saudi princes. Prince Bandar's cut, officially, publicly, was \$2 billion, but it's understood he actually received a lot more. In return, the British got 600,000 barrels of Saudi crude oil per day, beginning in 1985 and continuing right up through to the present day. When that oil was sold by British Petroleum and Royal Dutch Shell on the international spot markets, an *enormous* wealth of cash profit was produced. In an authorised biography, Prince Bandar boasted that those funds were used as an offshore slush fund to "fight communism". Among the projects that money was devoted to was building up the Afghan mujahedin, who fought against the Soviet Red Army in Afghanistan for the decade of the 1980s.

There's countless funds buried in offshore accounts around the world. A thorough investigation into the 28 pages, by declassifying them and reopening the entire 9/11 investigation, will reveal not only that Saudi Arabia is a devout enemy of the United States, but will reveal that the British have been, if anything, the overlords and senior partners in the empire arrangement between Britain and Saudi Arabia that has been the source and the root cause of global terrorism.

We've got a movement under way in the United States among members of Congress, among the 9/11 families, with former senator Bob Graham who chaired the original Joint Inquiry, to force the release of these

28 pages. Had those pages not been suppressed back in 2002, it's very likely that there would not have been an Iraq War; that there could not have been an Al-Qaeda; that there could not have been an Islamic State that's now carrying out Dark Age beheadings and similar things all throughout the Middle East and into North Africa. So we're at a moment when it's in our hands to deliver a powerful blow to the heart of that system of Empire.

You've got a Bush, Jeb, talking about running for President of the United States, which is an abomination. And so, we're in a battle in the United States, a battle that I'm becoming more and more confident by the day we will win, to allow the truth to come out about the top-down British Empire/Wall Street/Saudi control over the scourge of international terrorism. If the Empire factor concludes that Russia and China will not back down, will not be blackmailed under the threat of nuclear war into capitulating and bailing out a dying empire system, then it's very likely that Plan B for the Empire will be to launch permanent wars of each-against-all genocide in every part of the globe. That's what we're seeing right now in the Middle East. It's not a localised reaction. It's a top-down process that has been led by the Empire faction in Britain, with their Saudi and other Gulf underlings, to blow up that entire part of the world.

This is the moment we've reached. It's a moment of truth. The Empire system that has been around for centuries, and that effectively took over the entire global financial superstructures back with the end of Bretton Woods in 1971, has reached its dying moment. Fortunately, we have an alternative system through the BRICS initiative, through the Asian Infrastructure Investment Bank, through the emergence of new alliances of sovereign nations for real economic development. We have an alternative already being put in place, so that we can make a fast and smooth transition to a world that's a lot more appropriate to what human beings potentially can accomplish.

Discussion Excerpt

Gerry Bartlett: Thank you, Jeff, for a most amazing description of what's been worrying us all the time. We heard about the British role in 9/11, we heard about the Saudi role in 9/11 and we heard about the 9/11 families who lost members from the Twin Towers. What can you tell us more about the dancing Israelis' role, and the people whose workers who were told to stay away from the Twin Towers on that occasion?

Jeffrey Steinberg: The dominant operation was what I described: the British/Saudi apparatus. I'll give a little bit of the background, because I think it's critical to understand how these things work. Back in 1975, one of the leading British Intelligence figures assigned to work in the Middle East, Dr Bernard Lewis, was dispatched to the United States and very rapidly became

a key advisor to Henry Kissinger, later to Zbigniew Brzezinski. He was one of the most frequent guests at the Vice President's residence when Dick Cheney was Vice President. Bernard Lewis was the author of the doctrine of the Clash of Civilisations. As a key advisor, he developed the notion that the West should support Islamic terrorism along the southern tier of the Soviet Union, stretching from the Caucasus all the way through Central Asia, right up to the border of China. And under that policy doctrine, that's exactly what happened.

Months and months before the Soviets were invited into Afghanistan during Christmastime 1979, Brzezinski, under the advice of Bernard Lewis, had launched covert operations directed at building up what originally came to be known as the Afghan mujahedin. Later they would morph into Al-Qaeda, into the Taliban, into the Libyan Islamic Fighting Group, into virtually every form of radical jihadist terrorism that we see in the world today. It started out as part of an operation that was sponsored by networks under the direct control and supervision of people like Bernard Lewis. Now, there was an Israeli piece in this, no question. I can confidently say that there were Israeli Intelligence networks on the ground.

You referred to the dancing Israelis who were up on a rooftop in Hoboken, New Jersey. There were other elements that were more pivotal. The Israelis unquestionably knew that something was about to happen on a very large scale, and whatever information they had from their own activities spying on some of these Islamic jihadist networks inside the United States, they failed to provide any of that information to the U.S. government.

Members of Congress who have been able to go in, under very restrictive circumstances, and read the 28 pages have come out and said, "Everything I thought about the history of the last two decades has been shaken up by what I read in just those 28 pages." One in particular said that the issue that comes up immediately, is that you've got to consider that elements of the 9/11 attack could not have happened, were there not people on the inside who wanted that attack to occur, because of everything that followed from it: wars, the Patriot's Act kind of dictatorship, and everything else.

So the Israeli issue is a feature, a secondary feature; the dominant factor was this Anglo/Saudi deal that was at the core of creating a Dark Age movement, now spread around the globe, that's committed to population wars and to the destruction of what remains of the system of sovereign nation-states on this planet. It's a top-down operation, it's been wound up, it's been unleashed, and that's the thing you've really got to understand. If we can force the release of these 28 pages—and this is a major issue in the United States right now—if

we can force the release of those 28 pages, that opens the Pandora's box. That puts a spotlight top-down rather than bottom-up. It ends the mythologies about world terrorism and puts the top-down spotlight on those who created, who sponsored and run it to this day.

Audience Member: My question follows on from the previous one. Could you comment further on the role of the British Crown in all this? I understand that Prince Charles has had a very chummy relationship with Saudi princes, but what about the role of the Queen herself?

Jeff Davy: Thanks for the presentation. I recently had a letter in our local paper about what you spoke about: that agreement between Margaret Thatcher and the Saudis. Not a word in the Australian press about this. Never. And my question would be, as I understand it, the families of the 9/11 victims are now suing the Saudis. Is that correct and what can you tell us about that?

Jeffrey Steinberg: Let me say, very briefly, that I think the answer on the British question is very clear. Prince Philip, in his own words, talks about the need to eliminate 80 per cent of the human race. From the standpoint from the power of that oligarchy, the really demonic element of that oligarchy, their problem is that there's too many people to be able to impose a new kind of form of post-modern feudalism on the world. So by every means available, the intention of those like Prince Philip, who typifies the thinking in those high-level circles within the British Crown, is that we've got to use every means necessary to carry out a mass genocide on a scale that's never been seen before in human history.

The British genocide policy has many means and many dimensions to it. The reason that we're in a grave danger of a nuclear war at this point is because out of the desperation, born of the fact that their system is doomed—it's dead, they are willing to go to the very brink, to risk everything, to put the very survival of mankind on the line, in the hopes that maybe they can be so crazy and so desperate that you'll get a back-down from the Russians and the Chinese, and then there'll be a new avenue for looting to keep this dead system going a little bit longer.

To answer the last question very briefly: yes, there is an ongoing federal lawsuit. It was at the initiative of



Gerry Bartlett and other conference participants in Melbourne ask questions of Jeff Steinberg in the United States via video hook-up.

the Obama administration [that] there was an attempt to have it thrown out of court, claiming that the Saudis are protected under sovereign immunity, but that suit was reinstated over the course of the last year; it's going forward in court and it's another venue in which we can expect to see some dramatic things coming out.

I know that one of the next presentations, after a short break, on this panel is going to take up in a good deal of additional detail, elements of the Anglo/Saudi control over terrorism, so I'll leave it at that.

Roy Broff: My question is, I read all about history and I can't stop making some parallels between the Reichstag Fire in the 1930s, which gave rise to fascists in Germany and the 9/11 story that many of us know. And I somehow believe that 9/11 was masterminded by the American Intelligence community in an effort to suppress the opinion of people like us, which is against the war aggression and so on, and also to control the community to a much higher degree than we would like.

Jeffrey Steinberg: In January of 2001—in other words, nine months prior to the 9/11 attacks—Lyndon LaRouche submitted testimony to the Senate Confirmation Hearings for John Ashcroft, who had been nominated by President George W. Bush to be Attorney General of the United States. Apart from opposition to Ashcroft personally, what Mr LaRouche said is that now that we've seen the shape of this administration: Bush, Cheney, Ashcroft, Rumsfeld, Wolfowitz, others; he warned about that we were looking at the kind of government that *will* look for the first opportunity to conduct a Reichstag Fire, in order to move for dictatorship. That's in the record of the United States Senate hearing on the confirmation of Ashcroft as Attorney General. From that standpoint, *prior* to 9/11,

Mr LaRouche was already warning about the Reichstag Fire parallels that this administration would seek.

Now, go back briefly to what I said during my presentation: the Saudi Ambassador, Prince Bandar bin Sultan, was not only one of the major actors in facilitating the 9/11 attacks, but he was a critical partner of Margaret Thatcher and later Tony Blair in putting together this Anglo/Saudi apparatus that was instrumental in creating the entire array of international terrorist organisations we're confronted with today. And I also said that he was virtually a member of the Bush Family. So the Bush/Cheney administration were principal beneficiaries of what happened. And whether it was done by this Anglo/Saudi apparatus with a kind of a wink-and-a-nod, or whether it was done with further domestic complicity, is something that needs to be explored. The best way to do it, is to make sure that those 28 pages are released to the public. We've got a flank on this fight against the British Empire and the Anglo/Saudi apparatus, with the whole global terror apparatus now in full mobilisation. And we've got to make sure that we win that fight.

Winning that fight changes everything, in the same way that passing one simple law—Glass-Steagall—in the United States will bankrupt Wall Street and the City of London and create the basis for a fundamental restructuring of the entire global financial and economic system.

Craig Isherwood: Professor Toloraya has a question or comment for you.

Georgy Toloraya: In July this year BRICS leaders will gather in Russia. What will you suggest them to do, to arrest the tendencies you've been speaking about? Thanks.

Jeffrey Steinberg: I'm sure that yesterday in her keynote address, Helga Zepp-LaRouche pointed to the fact that colleagues of ours, both of us included, spent the better part of the last year producing the *EIR* Special Report called *The New Silk Road Becomes the World Land-Bridge*. We began work on that report in the latter part of 2013, prior to the Fortaleza Brazil meeting of the BRICS countries.

We did so because we were confident that the emerging leadership of a new paradigm, reflected in people like Xi Jinping in China, like President Putin in Russia, like Prime Minister Modi in India, and others, were moving in the direction of abandoning the world dominated by Anglo-American criminal finance, and were moving to pick up on the enormous accomplishments that have been realised in recent decades in Asia. China went through an enormous revolution in just 30 years, since the death of Mao Zedong and the launching of the new China revolution by Deng Xiaoping. We knew that the potential for strategic cooperation between China, Russia and India, with other countries grouping around that,

represented the greatest prospect for mankind to move into a new period—a new paradigm—where, in a certain sense, humanity gets out of puberty and adolescence, and emerges on the stage of history as adults, who can have adult relationships among one another and think about the future with bright ideas and with a commitment to making sure the future generations will, in every cultural and material way, have a better life.

What I see is that within the initiatives coming out of the BRICS countries, you've got the makings of a renaissance, and it's at every level: it's a scientific revolution, it's a cultural renaissance, it's a revitalisation of the system of nation-states that's been under massive attack. Back in April 1999, Tony Blair went to Chicago and delivered a speech there, in which he said Westphalia is dead, nation-states are dead; the Kosovo War means the end of sovereignty, the end of the nation-state. Fortunately, he was proved dead wrong and the BRICS are in the leadership of the process to just prove how wrong he was.

I think that we've got to think very big, the sky is the limit, because we're not just talking about cooperation among a group of nations, around valuable development projects and space exploration and all kinds of important things. We're talking about a new paradigm, a coming to age of mankind as a whole, and that leadership coming out of the BRICS countries must be a basis on which *my country*, the United States, is brought back into that arrangement.

Not only are we facing the danger of war coming from those who control this Obama Presidency and the Bush Presidencies before it, but the United States, from a positive standpoint, has a vital and indispensable role to play. Remember, we did make a revolution. We have that tradition, we spread that revolution around the world. In the post-Civil War period of the 19th century, we were everywhere. You'll hear things about Australia that many of you may not know, that our organisation there has pioneered reviving and rediscovering. We were in Germany, we were in Russia, we were in Japan, we were in China, and the ideas that are now being embodied in the BRICS initiative are ideas that have been kicking around for 150 years. Thank God, we've reached the point now where they are being realised on a vast scale.

By doing more, the BRICS countries can bring the entire world under the umbrella of that new paradigm, and that means that we're committed from here in the United States, to bringing the United States fully in as a cooperative partner of the BRICS initiatives, which means another revolutionary change in the United States, and I think we're on the cusp of exactly that happening. So the more that comes out of the BRICS, the better. It's for the entire world and all of humanity, not just for the member countries and those adding their weight to the process.

Who Is Sponsoring International Terrorism?

Glen Isherwood

CEC Researcher

On 25 September of last year, the Citizens Electoral Council issued a media release entitled “British SIS/ASIO Planning a Terrorist Attack on Australia?” The release began like this:

As things presently stand, a near-term terrorist attack upon Australian soil is almost guaranteed. Why? Is it because there are so many terrorists out there, whether home-grown or returning from Iraq, Syria, Afghanistan or elsewhere, such that at least “one lone wolf” is bound to “slip through”? No! It is because the British Crown and the City of London, which control the British and Australian intelligence services, *intend* for such an attack to occur. And, right on cue, legislation now pending in the Australian parliament will grant virtual immunity to any Australian officials who orchestrate or participate in such an attack.

Less than three months later, on 15 December 2014, the so-called Sydney Siege erupted. Three people were killed and four wounded. We have published some crucial facts which show that the Sydney crime was orchestrated by British and Australian intelligence agencies, and we will be publishing more evidence of that soon.

How could we forecast a so-called “terrorist attack” with such certainty? It’s because we understood the global strategic situation, pivoted upon the certainty of a new, far worse Global Financial Crisis, and because we knew the nature of the entity whose very existence would be called into question by that new outbreak of the financial crisis: namely, the British Empire.

You may ask, “What British Empire? Didn’t it go out of existence long ago?” That’s what you’ve been told, particularly since the end of World War II. But, take a closer look. Redcoats may have gone out of fashion, and the old-style Royal Navy gunboats may not sail the seas, but the British imperialists themselves, and the Queen herself on one occasion back in the 1970s, have sometimes quietly let slip that the idea of “indirect rule” is much more effective, and much less likely than the redcoats and gunboats to arouse opposition.

In 1995 the Royal Institute of International Affairs (also known as Chatham House) issued a report titled “Economic Opportunities for Britain and the Commonwealth”. It identified “an informal financial empire” as the new form of imperial rule. Chatham House also specified Australia’s intended place within that empire, as the bridgehead and staging ground for British control



Glen Isherwood addresses the CEC conference, 29 March 2015.

of Asia. The dumb American collaborators of this British imperial policy are more in the limelight with the old methods of military domination, such as in the so-called Asia Pivot of British stooge Obama. In yesterday’s discussion, Helga Zepp-LaRouche noted that Australia’s assigned role in the Asia Pivot scheme is that of a “giant aircraft-carrier for war with China”.

Today’s “British Empire”

In today’s “informal financial empire”, the British Crown sits at its apex, along with about 200 old oligarchical families, as even academic studies of the British elite document. There are a lot of hangers-on, who have been dubbed Knights of the Garter, members of the Order of the British Empire, Knights Commanders of St Michael and St George, and so forth. The British intelligence agencies report to the Crown, which also rules through the City of London and Wall Street, along with such fronts as the IMF and World Bank, and the European Central Bank.

Remember what even the standard history books recount about the mass genocide committed by the British Empire in the 19th century, which was only yesterday in historical terms: Tens of millions of people killed by systematic starvation in India; millions killed in Ireland by the forcible export of food, even during the Potato Famine; and millions of Chinese killed or poisoned during the Opium Wars.

Today the “informal financial empire” is doing the same thing! Look at the spiralling death rates, even in Europe, under the brutal rule of the European Union—an institution engineered by British imperial, City of London interests. Look at the death rates in Africa and large parts of the rest of the so-called “developing sector”.

The Crown itself states that such effects are desirable. Prince Philip has openly proclaimed, for example to the German Press Agency in 1988: “In the event that I am reincarnated, I would like to return as a deadly virus, in order to contribute something to solve overpopulation.” And Queen Elizabeth herself honoured the infamous John Schellnhuber, head of the Potsdam Institute for Climate Impact Research, who proclaims that the world can only support one to two billion human beings at most. Remember that Prince Philip’s World Wildlife Fund was initially organised by two of the most notorious, outspoken advocates of the racial purity doctrine called eugenics, in the entire 20th century. They were Privy Council Secretary Max Nicholson, and Sir Julian Huxley, who as UNESCO head after World War II, stated openly that the green movement’s goal was to “promote eugenics by other means”, given that Hitler had given the term “eugenics” a bad name.

The British imperialist promotion of mass genocide has always involved religious and other warfare to make sure the victims keep fighting each other; the creation and sponsorship of horrific cults like the Islamic State today; and assassinations of leaders who pose an obstacle to their rule.

The myth says, “Sure, the British did those naughty things in the past, but that is ancient history. Surely Her Majesty Queen Elizabeth II would never even dream of doing such things!”

Oh, really? Let me give you an example close to home, the case of Gough Whitlam. Many years ago, we documented that Prime Minister Whitlam was sacked in 1975 (Fig. 1) at the express direction of Queen

Elizabeth, acting through that notorious toady, Sir John Kerr, a long-time MI6 agent and Royal sycophant. Since the time of our first publication of that exposé, in the pamphlet called “The Fight for an Australian Republic”, much more has been released from official records and other accounts, demonstrating beyond the shadow of a doubt that the Queen herself coordinated the entire affair.

What was the issue? Whitlam and his allies like Treasurer Jim Cairns, and Minerals and Energy Minister Rex Connor, had grand plans to “buy back the farm” from the Queen’s multinationals. (Remember that Elizabeth, at least until recently, was the largest private shareholder in Rio Tinto.) They intended to construct great infrastructure projects to really develop our continent.

Because we are members of the British Commonwealth, it didn’t take three shooters up on a grassy knoll to get rid of Whitlam’s upstart leadership. Under our easily destabilised parliamentary system, the Queen could direct Whitlam’s assassination, so to speak, through judicial means. Does that sound shocking? Compare what Whitlam and what old Labor had planned for this country, with the free trade, deregulated, privatised nightmare it became after his ouster, except for positive elements during the interregnum under Malcolm Fraser. Is this not identical to what happened to the change in direction forced upon the United States after the assassination of President John F. Kennedy?

This background is vital to understand, because the greatest obstacle to answering the question in the title of my report, “Who is sponsoring international terrorism?”, is wilful blindness to the nature of the British Crown. If you think that the Crown is a powerless relic of the old days, and that Her Majesty is really a kind-hearted person, even if her husband is admittedly a rabid racist and her son Charles is a fruit loop who talks to plants, you won’t get it.

The Prince and His Friends

With that said, and bearing in mind what Jeffrey Steinberg has just told you about the orchestration of 9/11 and its cover-up, let me introduce a person who I think deserves to be called the Chief Executive Officer of today’s international terrorism. One would be hard put to name another single individual who has done more than he, over the past three decades, to create, sponsor and protect international terrorism.

The biography pictured in Fig. 2 came out in early 2015. The *New Citizen* feature on Charles of Arabia and his ties to Saudi Prince Bandar, Prince Turki and other kingpins of al-Qaeda and ISIS terrorism, and reprints of the two-part exposé of Charles’s sponsorship of

FIGURE 1



It didn’t take three shooters up on a grassy knoll to (politically) assassinate former Prime Minister Gough Whitlam; just a parliamentary system under the Queen, and her toady the Governor-General.

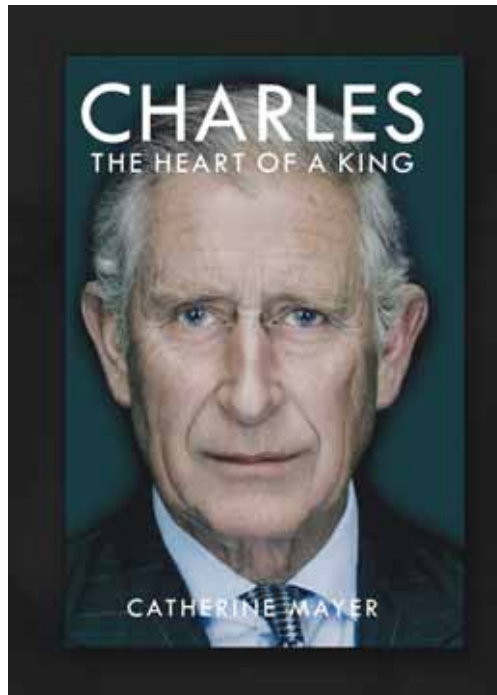
Islamic terrorism, published last year by our colleagues William Wertz and Richard Freeman of *EIR* in the United States, were already circulating in the UK before then. London-based author Catherine Mayer felt compelled to protest, in the book, the charges levelled against Charles by *EIR*, which she cited explicitly.

Let's look at just some of the evidence. In 2003, lawyers for families of 9/11 victims went to the UK to track down the activities of some of these individuals. The 2005 book *Saudi Babylon: Torture, Corruption and Cover-up inside the House of Saud*, by investigative reporter Mark Hollingsworth and Sandy Mitchell, a British citizen imprisoned and tortured in Saudi Arabia, tells what happened. Hollingsworth and Mitchell report on the meeting between the 9/11 family lawyers and top officials of Scotland Yard.

Prince Charles's relationships with prominent House of Saud members have created serious problems and obstacles to UK agencies investigating claims of Saudi financing of international terrorism, according to Special Branch sources. The delicacy and sensitivity of Prince Charles's friendships was raised during a meeting at New Scotland Yard in April 2003. Families of the victims of 9/11 had filed a lawsuit accusing some members of the House of Saud, notably defence minister Prince Sultan and the new UK ambassador, Prince Turki, of supporting Al-Qaeda in the past. Their lawyers were in Europe investigating allegations that senior Saudi royals had backed Islamic charities, run by the government, which funded the 9/11 hijackers.

The meeting at New Scotland Yard was attended by detective chief inspector Stephen Ratcliffe, the Special Branch officer in charge of tracking terrorism financing; Peter Clarke, national director of countering terrorist funding; Robert Randall, a police liaison officer; and [the visiting] lawyers. Alan [sic] Gerson, a lawyer for the 9/11 relatives, outlined their case and said that the Saudi royal family were put on notice in 1999 by U.S. National Security Council (NSC) officials in Riyadh that funds for Al-Qaeda came from Saudi. "There were similar warnings to the Saudis in London as well," said Ratcliffe, "although some of our regulatory

FIGURE 2



The cover of Catherine Mayer's biography of Charles, published in 2015.

agencies were not always up to scratch in tracing the money."

"Well, have the UK authorities uncovered anything to show that charities run by some members of the Saudi royal family were channelling money to the terrorists?" asked Gerson.

Ratcliffe looked hesitant and a little sheepish. "Our ability to investigate the Saudis is very limited," he said. He then paused, looked across at a photograph of Prince Charles on the wall, raised his eyebrows and smiled knowingly without saying a word. "He did not say anything but the message was crystal clear when he looked at the picture," said

a police officer who was present. "It was Prince Charles's special relationship with the Saudis which was a problem. He gave no other reason why they were restricted."

The Anglo-Saudi arms deal called Al-Yamamah was set up between Prince Bandar and Margaret Thatcher in 1985. Successive phases of the deal were negotiated over the ensuing decades, right down until today. Prince Charles personally was a key figure in those successive phases, working on it during his 12 official visits to Saudi Arabia and other visits, termed "private", to Saudi Arabia, to Qatar (the other main financier of ISIS), and other Gulf states. Wertz and Freeman documented Charles's role as the Queen's liaison to the Saudis for decades.

According to Bandar's biographer, Charles has a deep "fascination with Islam". If you look at it more closely, you see that his special fascination is with the bloodiest and most evil sect of Islam, called Wahhabism. The official religion of the Kingdom of Saudi Arabia, Wahhabism preaches that its adherents have a religious duty to kill nonbelievers, whether Christians, Jews, or members of Shiite and other non-Wahhabite tendencies of Islam.

In the early 1990s, Charles persuaded King Fahd to contribute tens of millions of dollars to building mosques across the UK. Several of these became training grounds and launch pads for international terrorism.

In the same early 1990s period, Charles became the official Patron of the Oxford Centre for Islamic Studies (OCIS). The Saudis, Qataris, and other Gulf states have contributed somewhere around 100 million pounds to OCIS. **Fig. 3**, published in the Nov.–Dec. 2014

FIGURE 3



New Citizen, shows leading figures related to the Centre, often called “Charles’s OCIS”. Virtually every one of them has played a leading role in organising or financing international terrorism.

A Rogues Gallery

In the centre of **Fig. 3** is Charles during a February 2014 visit to Saudi Arabia, when he performed a sword dance with members of the Saudi royal family. Surrounding him are board members and financial backers of OCIS, including members of the Faisal and Bin Laden families, who have contributed to it. Each of the Persian Gulf figures pictured here is also implicated in financing or advocating terrorism.

Going from top to bottom, starting with the four on the left side, you see:

1. Prince Bandar bin Sultan. His biographer calls his friendship with Charles “close”. He was a wedding guest of Charles and Camilla. In 1990, Bandar contributed an estimated US\$13–24.4 million to OCIS. At Bandar’s behest, then-King Fahd pledged \$32.4 million from the Kingdom; Bandar announced the gift at a 1997 private dinner with Charles. Former Saudi Ambassador to Washington and Intelligence chief, Bandar headed the Saudi Security Council in 2005–15.¹ He and his wife have been implicated in funding the 9/11 attackers. He also arranged the first Al-Yamamah oil-for-arms contract

¹ The death of King Abdullah and accession of King Salman in January 2015 brought institutional and personnel changes, including the abolition of the Security Council. But, Saudi Arabia’s involvement in fomenting terrorism and war has only escalated. Salman himself has been implicated in UN, CIA, and other reports, in fundraising for terrorism when he was governor of Riyadh and adviser to three Saudi kings.

with PM Margaret Thatcher in 1985, an ongoing deal in which the Prince of Wales later took a hand.

2. Prince Turki bin Faisal is a member of the Board of Trustees of OCIS and chairs its Strategy Advisory Committee. Another of Charles’s wedding guests, he resigned as director of Saudi General Intelligence (1979–2001) ten days before 9/11. Turki financed and organised the rise of al-Qaeda in the 1980s.

3. Prince Mohammed bin Faisal is another member of the Faisal clan, which has sponsored OCIS. A full brother of Turki, he heads the Dar Al-Maal Al-Islami Trust (DMI) banking group, which financed al-Qaeda according

to a 2002 report to the UN Security Council. Mohammed was named in a 9/11 family-member lawsuit.

4. Prince Abdulaziz bin Abdullah, deputy foreign minister of Saudi Arabia, is chairman of the Board of Trustees of the Centennial Fund, established by Charles in 2004. He is an expert on Syria, where Saudi financing of the radical Sunni opposition groups, out of which ISIS emerged, is notorious.

On the right side of **Fig. 3**, again top to bottom:

5. Abdullah Omar Naseef co-founded OCIS and chairs its Board of Trustees. He was Secretary General of the Muslim World League (MWL) in 1983–93, at the height of Anglo-American backing for the Afghan mujahedin against the Soviet Union. King Faisal had set up the MWL in 1962 to coordinate Wahhabite propaganda and subversive activity. The MWL spawned significant parts of today’s global jihadi apparatus. Naseef also chaired the Pakistan-based Rabita Trust, an MWL financial project. In the 1980s, Naseef co-created Maktab al-Khidamat, the backbone organisation of the Arab-Afghani mujahedin in Afghanistan, which in 1989 changed its name to al-Qaeda. According to the 9/11 families’ suit, Naseef knowingly funded al-Qaeda through the MWL, Rabita, and the International Islamic Relief Organization (IIRO).

6. Yusuf al-Qaradawi was formerly a board member of Charles’s OCIS. This Qatar-based spiritual leader of the Muslim Brotherhood issued fatwas for the overthrow and assassination of Libyan head of state Muammar Qaddafi and Syrian President Bashar al-Assad. In July 2012, he threatened the assassination of Egyptian leader Gen.

Abdel Fattah al-Sisi, now President.

7. Abul-Hasan Ali al-Nadwi. Co-founder and first chairman of OCIS, Nadwi had been a founding board member of the Muslim World League back in 1962.

8. The bin Laden family (shown here, Mohammed bin Laden, Osama's father) was among the Saudi, Qatari, and Kuwaiti private donors of approximately US\$70 million to Charles' OCIS. Osama bin Laden was recruited by Charles's friend and wedding guest Prince Turki bin Faisal, to set up the Maktab al-Khidamat network, the future al-Qaeda. His financial network included dozens of City of London banks and corporations, according to a 2001 French parliamentary investigation.

Without reviewing the entire history of the creation of the Kingdom of Saudi Arabia from go to whoa by the British Empire, suffice it to know that "modern Saudi Arabia", if you can call it "modern", is a fusion of two distinct entities. One is the ruling, westernised, and generally corrupt 7,000–9,000 princes, all descended from a warlord named Abdulaziz Ibn Saud (1876–1953) and his 22 official wives and countless concubines.

The second element is the Wahhabite ideology. In the 18th century, Ibn Saud's ancestor allied the family with the fanatical founder of the Wahhabist ideology of death to all non-believers, Muhammad ibn Adb al-Wahhab. The British sponsored this alliance then and thereafter, down until today. In 1922, then-Secretary of State for the Colonies Winston Churchill put Ibn Saud on the payroll at 100,000 pounds a year, later writing that, "my admiration for him was deep, because of his unfailing loyalty to us".

In 1927, Ibn Saud by treaty with Britain ceded control over the emerging state's foreign policy, to Britain. Meanwhile, the King struck a pact with the Al ash-Sheikh clan, descendants of the founder of Wahhabism, giving them the power to administer and oversee religion and law in the Kingdom. This alliance remains in effect. The powerful Saudi Ministry of Religious Affairs is the de facto headquarters of the Wahhabites in Saudi Arabia, while pouring billions of dollars, through so-called charities and other religious institutions, into establishing Wahhabist schools worldwide.

Wahhabism Goes Global

The Saudi Ministry of Religious Affairs set up such schools, called madrassas, all over the Middle East, South Asia, the Caucasus, the Balkans and elsewhere. They have done the same thing in Britain itself, with the patronage of Prince Charles, by building mosques. Not every mosque became a terrorist centre, of course, and even some of those which did, have been reclaimed as actual centres of religion. The process is complex. Indeed, one of the things about which there is great concern in Britain today is the degree of "Islamophobia" unleashed in the UK, because of the protection and sponsorship of terrorist-training mosques by Charles, and by MI5 and

MI6, agencies of which, by the way, he is also the official Patron.

Let me show you the prime example of how this has worked: the infamous Finsbury Park mosque in North London.

The key figure was Abu Hamza al-Masri. Born in Egypt, he became a UK citizen in 1986. In 1993, he went to live overseas in Afghanistan, where he got blown up whilst training with mujahedin forces. He lost his hands and one eye in the explosion, and consequently returned to London, becoming a preacher and recruiter of young Muslims to violent jihad. As a result of his reputation as a good orator, and because he offered to work for free, he was hired to preach at the Finsbury Park mosque in 1997, by the management committee of the mosque. Once he got in, however, he took it over, throwing out the existing Imams by force, using thugs, many of whom had come to him after serving overseas as jihadists in Algeria with the GIA (French acronym for Armed Islamic Group), or in Afghanistan with the mujahedin, etc.

On dozens of occasions, the management committee pursued legal avenues to remove Hamza from the Mosque, or asked the police to intervene to remove Hamza. Hamza was not touched. Hamza boasted that his activity was sanctioned by the British Government and by MI5.

Hamza used the Finsbury Park Mosque as a recruitment centre for hundreds upon hundreds of young British Muslims, twisting them into becoming suicide bombers and foreign jihadists. His hate-filled disciples can be found all over the world. From 1997 to 2006, Hamza established the infrastructure in the UK that helped finance and prepare jihadists in North London, helping them get out of the country across to Pakistan for training. In several cases, these young recruits were assisted in reaching places like Yemen and Israel to carry out terrorist attacks or suicide bombings. The mosque itself became a training facility, not just preaching jihad, but also stockpiling weapons and becoming a local centre for organised crime. Hamza was arrested and jailed in the UK in 2005, and in 2012 he was extradited to the United States, where he is serving a life sentence for his role in inciting terrorism.

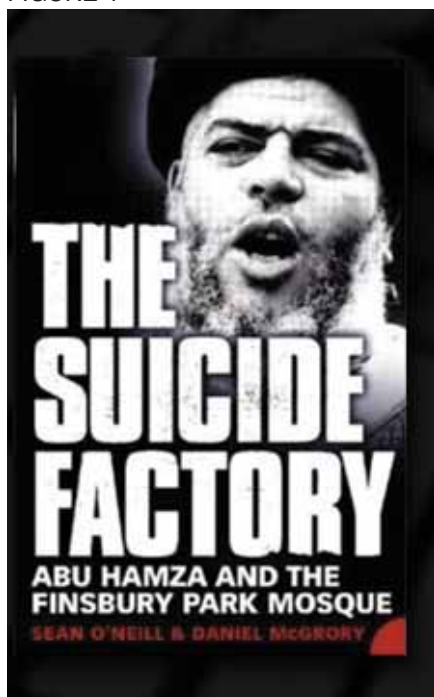
His network has been implicated in dozens of attacks, including 9/11, the 7 July 2005 London subway bombings known as "7/7" which killed 52 people and wounded another 700, and more recently the January 2015 Charlie Hebdo massacre in Paris, carried out by disciples of one of Abu Hamza's closest associates.

Did the Intelligence Agencies, MI5, MI6, etc. really not know what was going on? Of course they did!

Abu Hamza himself testified in a U.S. court, that he had been working for MI5.

EIR has documented this long ago, well before 9/11. On 21 January 2000, an *EIR* memorandum addressed to U.S. then-Secretary of State Madeline Albright, titled

FIGURE 4



“Put Britain on the List of States Sponsoring Terrorism”, pointed not only to Hamza as a terrorist operating from inside Britain, but also to others, such as Omar Bakri Mohammed, who, from London, started calling on jihadists to begin terrorist attacks on U.S. targets in 1998. The *EIR* memorandum documented cases where 11 nations had protested the UK’s protection of terrorists who were using London as their headquarters for global operations.

In Britain, the arrangement between the Security Services on the one side, and radical jihadists and terrorist supporters on the other, even has a name, at least in security circles. It is called the “covenant of security”. Mark Curtis, author of the book, *Secret Affairs: Britain’s Collusion with Radical Islam*, writes about this agreement:

Abu Hamza, the former imam at the Finsbury Park Mosque, said at his trial at the Old Bailey that he believed a deal operated whereby his activities would be tolerated as long as they targeted only foreign soil. He recalled how Scotland Yard’s intelligence wing, the Special Branch, assured him that ‘you don’t have anything to worry about as long as we don’t see blood on the streets.’ ... In August of the same year, Omar Bakri Mohammed, who had established the militant al-Muhajiroun organisation, described how ‘I work here in accordance with the covenant of peace which I made with the British government when I got [political] asylum’. Nine months later, he said in a further interview that ‘the British government knows who we are. MI5 has interrogated us many times. I think now we have something called public immunity’.

Sean O’Neill’s book *The Suicide Factory* (Fig. 4) mentions another account of this covenant:

The clerics all claimed that Islamist radicals felt safe in London, as they were protected by what they called the “covenant of security”. This, they explained, was a deal whereby if extremist groups pledged not to stage attacks or cause disruption in the UK, the police and intelligence agencies left them alone.

That era when British intelligence benevolently oversaw the training of hundreds and thousands of terrorists, as long as they didn’t carry out attacks on British soil, has been over for some time. Now, former MI6 head John Sawers bemoans that there are “several thousand” terrorists in the UK, ready to launch “a ghastly 7/7-style attack”—referring to the London subway bombings—at any time.

That, of course, is just what the Crown needs, to establish a full police state in Britain—parallel to what is being worked on in Australia.

Ever since the Snowden revelations that the electronic spy centres of the U.S. National Security Agency and the British Cheltenham GCHQ, and their Five Eyes cousins in Australia and New Zealand, monitor virtually every single individual in those countries, it is no longer credible for MI5 and others to claim that, “We didn’t know anything” about large scale terror attacks before they happen. Lo and behold, MI5, ASIO and their cousins inform us that there are countless “lone wolves” out there, who are part of no network that could be surveilled, and whose attacks therefore can not be stopped. Man Haron Monis of the Sydney Siege was such a lone wolf, if you believe ASIO, the only problem being that ASIO had had intimate, if complicated, relations with Monis for a long time, as they do with all of these so-called “lone wolves”. Among other things, Monis felt himself abused and harassed by ASIO.

The 7 May elections in Britain have the potential to be a watershed, both for Britain and for the world, if they result in a Labour Party/Scottish National Party coalition committed to Glass-Steagall, to ending Britain’s nuclear tripwire in the Trident program, and to ditching the Thatcher/Blair/Cameron policies of brutal austerity. So, what would you like to bet, that the period between now and then will see terrorist attacks in Britain, which would benefit the incumbent, City of London, utterly Crown-dominated Conservative government of David Cameron?

Whatever the electoral outcome, for our poor British cousins—and ourselves!—to have a fighting chance of implementing Glass-Steagall, national banking, and an alliance with the BRICS, it is a high priority to put Charles in the dock. And that begins with exposing his role far and wide, as we are doing here today, and will continue to do.

A Global Financial Crash, or New Credit Systems?



The Unfolding Global Financial Crash and Nascent New Institutions

Paul Gallagher

Economics Intelligence Director, Executive Intelligence Review

Craig Isherwood: *Now joining us at a very late hour from the United States is Paul Gallagher, the Economics Intelligence Director for Executive Intelligence Review, and someone who has followed the unfolding global financial crash very closely. Thank you, Paul, and welcome to our conference.*

Paul Gallagher: Thank you for that welcome. And welcome from near Washington in the United States, in the middle of the night.

I want to talk to you about the actual condition of the economies of the United States and Europe, the trans-Atlantic economies, and the tremendous contrast and antagonism with the developments that are now coming from the BRICS, particularly from the new credit institutions, and most particularly the AIIB and the related credit institutions that China is initiating along the Silk Road, the economic “Road and Belt”.

Nine months ago, in July 2014, I wrote an article in *EIR* called “The U.S. Suicidal War on the New Chinese Infrastructure Bank”, saying that President Obama’s campaign against the Asian Infrastructure Investment Bank, or AIIB, would fail; and that the United States would be its only victim. That disastrous defeat for Obama has now occurred: he is isolated and defeated in his vindictive attempt to prevent this vital credit initiative for the world economy from coming



Paul Gallagher addresses the CEC conference, 29 March 2015.

into being. But if Obama is now rejected and dumped through the 2016 campaign for the Presidency here in the United States, then the USA can still reclaim the principle of Hamiltonian economics, which is the actual offer that the Chinese are making through the AIIB, and which Obama attempted to destroy.

I reported in that article, that the Obama Administration’s moves to try to prevent cooperation with China’s planned AIIB were part of its commitment to



From its peaks in the 1930s under Franklin Roosevelt, and in the 1960s under John F. Kennedy, American infrastructure investment under recent U.S. Presidents, including the latest one, Barack Obama, has all but disappeared.

a London-centred financial empire which is headed for another, more thorough collapse, and threatened world war as a result. Now the U.S. economy is again falling into recession, supposedly only its second since the 2008 financial crash, although Europe and Japan more frankly admit to having had at least three. The recovery of the U.S. economy has been a myth. It is an economy without high-wage employment, without capital investment, as I'll show, without any growth in crude productivity, with vanishing levels of real economic productivity, and long-vanished investment in modern infrastructure.

In the European economies, where mass unemployment has persisted under the single currency for over a decade, even the most basic lending by banks to businesses and households is continuing to decline every year, in absolute terms. And these trans-Atlantic economies are joined at the hip by their megabanks, which have been sustained, and have grown much larger since their crash, by Federal Reserve lending and money-printing, spread equally over both sides of the Atlantic.

Knowing that the trans-Atlantic financial system is crashing doesn't require picking out and identifying the precise crash trigger, or some so-called "black swan event", as leading British financial columnists are trying to do now, for example, in the sudden "loss of liquidity in the bond markets". The bank panic and financial crash of 2007–08 required the collapse of an immense real estate bubble, featuring \$7 trillion in mortgage-backed securities in the USA alone, and \$65 trillion in various forms of credit derivatives piled on top of them. The current financial crash doesn't require any such huge triggering events; the

trans-Atlantic banks are much bigger and still more complex, but the trans-Atlantic economies have shrunk. They are poorer, they are less productive, and there are plenty of debt bubbles, not to mention \$600 trillion in interest-rate derivatives, that are ready to finish them off.

Crushing of the Real Economy

The trans-Atlantic economies are being crushed by the Wall Street and London banks—including their control of government

financial and even economic policy. Compare even GDP, which is grossly inflated by financial services and stock market bubbles, between 2007 and 2014: in Europe as a whole, the growth is roughly zero; in China the growth is roughly 68 per cent during those years; in India, 38 per cent. International institutions such as the OECD and the IMF agree, even in their consistently rose-coloured forecasts, that the average economic growth around the world is falling, and is likely to be below 2 per cent in 2015, despite rapid growth in the biggest BRICS countries. In the United States, in recent weeks, the Atlanta Federal Reserve has dismayed the Wall Street press with the published tracking of its new, so-called real-time "GDPNow" measure. This showed U.S. growth at an annual rate of 1.9 per cent in early February; at 1.2 per cent at the start of March; at 0.6 per cent on 12 March; at 0.3 per cent on 18 March; and at 0.2 per cent on 25 March. There are some broad measures which relate this to the real economy.

For example, international agricultural equipment and sales fell by 2 per cent in 2012, rose by 4 per cent in 2013, and then fell by a whopping 7 per cent in 2014.

Global shipping cargoes, other than oil, are falling in absolute terms. The Baltic Dry Index of shipping prices is 40 per cent of what it was in 2005 and 25 per cent of what it was in the year 2000, and it is continuing to fall.

Almost all commodity prices are deeply depressed.

The volume of world trade did not grow in 2012, contracted in 2013, has grown by about 3 per cent in 2014, and at the start of 2015 is contracting once again.

The value in dollars of world trade has been declining since 2011.

The value added in manufacturing for the world as a whole recovered after the crash to grow in 2010–12, but fell back to zero growth in 2013 and contracted in 2014, and in the European Union—26 countries—manufacturing value added is at the level of 2005.

Not only Greece's GDP is below the level of 2008 (by 25 per cent), but also those of Portugal, Spain, and Italy; Ireland's is only now equal to what it was seven years ago. All these countries have declining and emigrating populations.

Mortgage loans for home purchases in Europe are below the total level of 15 years ago. Total loans, bank credit, are at the same absolute level as 2006, and if you exclude loans by banks to other banks, they are 6 per cent lower than they were at that time. Total bank credit has been falling by 100 billion euros per year.

Bad debt is estimated at €2.5 trillion in the European banking system, out of €23 trillion total assets—more than 10 per cent. Yet, the derivatives exposure of Europe's banks—overwhelmingly in London, including Deutsche Bank—is about €400 trillion, or 10 per cent larger than in 2007. If the Eurozone starts to fall apart with a Greek default on bailout debt, which may happen imminently, derivatives bubbles *will* explode. And the ECB—the European Central bank—on 26 March issued an alert to all banks in Europe to inform the ECB about their “exposure to Austria”, where the government had to withdraw guarantees for toxic bank debt, leading to two bank failures so far.

Official unemployment in the European Union nations as a whole has not gone below 11 per cent since the financial crash seven years ago; and real unemployment, including the underemployed and labour force drop-outs, is 19 per cent for the entire continent; youth unemployment is 26 per cent, officially, for the entire continent.

In the United States, the amount of employment is increasing, but Americans' average real wages and salaries (hourly and weekly) are continuing to fall. The hallmarks of household poverty—use of food stamps, charity food kitchens, homelessness—continue to increase. An average of 15 million Americans needed to participate in food assistance programs in 2001; 25 million in 2007; 48 million in 2014; and still growing.



On 1 August 2007 the entire span of the I-35W Minneapolis bridge broke into sections and collapsed into the Mississippi River, resulting in 13 dead and 145 injured. In the eight years since, investment in infrastructure has collapsed, too.

Real weekly wages and salaries of American workers are 20 per cent below the level of 1972, if a consistent measure of inflation is used over that whole span, and the income of households is unchanged over that 40 years, requiring almost one and a half persons per household to work for that income now, whereas just 1.1 persons worked for it then.

More than half of American workers are now employed either part-time, as temporary workers through contractors, or as freelance workers. Hourly pay has fallen; it is 10 per cent lower than 40 years ago, and 15 per cent lower than seven years ago, when Obama took office. This makes the so-called “manufacturing recovery” claimed by the Obama Administration in the United States, a fraud. Ironically, the most detailed treatment showing this fraud was written by President Obama's own former “car czar”; that is, banker Steven Rattner, who was in charge of Obama's claimed “recovery and revival of the auto industry” for three years. His recent article in *The Atlantic* was called, “What Manufacturing Recovery?”

Electricity use per capita in the United States has fallen steadily since 2007, by a total of 15 per cent.

Investment in infrastructure construction in the United States, which was 3.2 per cent of annual GDP in the mid-1960s, has reached a nadir under Obama of 1.3 per cent of GDP. So there has been no creation of a buffer of credit, of new credit, productively invested, to counteract the devastating effects of the financial crash of 2007–08 and the following mass unemployment.

There is a lack of capital investment throughout the U.S. economy since the effective elimination of Glass-Steagall—the Glass-Steagall principles, or regime—in the middle-1990s.



The current corporate debt-stock buyback cycle, used by companies to prop up their share prices, exceeds anything the U.S. economy has seen since the 1920s, before the bank and market crash of 1929–1931 and the Great Depression.

Echoes of 1929

In the 14 years of the Bush and Obama Presidencies, the debt of U.S. corporations rose spectacularly, from a total of \$5 trillion in 2001, to \$7 trillion in 2006, \$11 trillion in 2009, and \$15 trillion at the end of 2014. Corporate after-tax profits did the same thing, rising from \$500 billion in 2001 to \$1.4 trillion in 2009, and then, after dropping in the crash for eighteen months, rose rapidly again to \$1.75 trillion in 2014. But, during the same period, corporations' capital expenditures essentially were unchanged, at about \$900 billion per year. When one considers that depreciation of business capital is about \$1.1 trillion a year in the United States, net capital investment in the entire economy is negative, and has been negative for a decade and a half. This is because 90 per cent of what the corporations borrow, and very much of their profit, has gone purely, directly back into the stock market: the constant buying back of their own shares to drive up their prices, or buying other corporations' shares in mergers and acquisitions; and paying out dividends to shareholders. In 2014, for example, the two figures I gave you just before, of corporate borrowing and corporate profits in 2014, added to perhaps \$2.8 trillion in available capital which could be invested in capital expenditures, \$2.35 trillion of the \$2.8 trillion went directly into stock buybacks, and mergers and acquisitions—this doesn't even count dividend payments.

Such a corporate debt-stock buyback cycle has not characterised the U.S. economy since the 1920s, before the bank and market crash of 1929–31 and the Great Depression. This kind of corporate debt-stock buyback cycle rules out any real productivity advances in the economy, and rules out *any* real productivity, and anything but continuously-declining real wages.

There is a fundamental measure of what is sitting on top of this declining real economy, and ready to collapse. This is the explosion of the ratio of the amount of total debt, including government at all levels, debt of corporations, debt of households; that total debt, to the gross domestic product. Stated differently, this is the amount of new debt that is apparently needed to generate an additional amount of GDP, however productive or unproductive that GDP may be. In the United States' economy, that ratio was remarkably constant from the end of World War II until 1975—30 years: it was 100 per cent, or one dollar of additional debt for

one dollar of additional GDP. Then, rather suddenly, after the 1971–73 breakup of Bretton Woods, which LaRouche had forecast at the time, that ratio started to rise steadily. It grew to 250 per cent by 2000; then, following the destruction of the Glass-Steagall bank regulations, it leaped, in just five years, to 350 per cent in 2005. And then, despite the 2007–08 crash, and all the debt which was wiped out by it, the ratio continued to grow and reached approximately 400 per cent in 2014.

So it was the growth of national product which was wiped out by the crash seven years ago; but *not* the growth of debt. And the total nominal "value" of the over-the-counter derivatives of the megabanks, which the Bank for International Settlements (BIS) thought was roughly \$550 trillion at the end of 2007 just before the crash, it now estimates at well over \$700 trillion, overwhelmingly concentrated in a dozen banks on Wall Street and in the City of London.

You can pick your bubble, among the financial bubbles that have formed since the 2007–08 crash, which will trigger this follow-up crash. There's \$500 billion in unpayable eurozone bailout debt; there's \$850 billion in corporate "leveraged loans" in the U.S. economy; \$1.6 trillion in junk bonds; \$800 billion in subprime auto loans. These things are not yet as large as the pre-crash \$7 trillion mortgage-backed securities bubble, but they are growing faster than it did, and, more importantly, they're being piled on an economy which is less productive, with less productive employment and less real demand, than even that of the first decade of this century. Another financial collapse is built in—in fact is under way—unless a Glass-Steagall bank reorganisation and national credit for productive projects are implemented now.

There are not only warnings now in the financial

columns, but also crash warnings from official bodies. On 20 March the BIS issued a warning about “high debt and low prices in the oil sector”.

A toxic mix of high levels of debt in the oil sector and a sharp decline in the price of the commodity could have far-reaching effects on the global economy. The total debt of the gas and oil sector worldwide stands at roughly \$2.5 trillion, two and a half times what it was at the end of 2006. At collapsed oil prices, it may have no more than \$350–\$400 billion in revenues to service this [2.5 trillion in debt], leading to a collapse of the debt.

The U.S. Office of Financial Research (OFR), which does research for the major bank regulators in the United States, part of the U.S. Treasury, made a report on 18 March that the United States appears to be on the verge of a financial markets crash. The OFR cited three technical debt bubble measures, which it said matched the levels of 1929, 2000, and 2007.

But the OFR focused on the extraordinarily high level of the “leveraged loan” debt bubble, relative to lending and credit generally, and in an 11 March speech, the Vice Chairman of the FDIC—the deposit insurance corporation in the United States—Mr Thomas Hoenig, announced the same warning about these leveraged loans, which are a close cousin of the \$1.6 trillion junk bond bubble. This warning came out of a “national credit quality report” which the FDIC did from an asset sampling of all the banks in the United States. Thomas Hoenig said that the survey found the leveraged-loan bubble had grown to \$850 billion in the U.S. banking system at the end of 2014, from only \$380 billion two years earlier. A second report, by the same Office of Financial Research in the Treasury, issued the same day, found that the six biggest U.S. banks have an apparent \$10 trillion in their assets, but they have another \$5 trillion in exposure to derivatives. This is their computer-model calculations, meaning they claim they have \$5 trillion in value at risk in their derivatives exposures, which in nominal terms are over \$230 trillion. Five trillion in exposure unbacked by any capital would be bad enough, but it has been clear in practice, since the collapse of Long-Term Capital Management back in 1998, that when huge bets on a debt bubble go wrong, and every firm is trying to close out every derivative contract in the same direction at the same time, a financial institution’s liability can explode to anything up to the full nominal value of its derivatives exposure; again, this is \$230 trillion in the case of these six largest banks.

The Most Dangerous Bubble

The central banks of the United States, Japan and Britain have created the biggest and most dangerous



On 11 March 2015, Vice Chairman of the U.S. Federal Deposit Insurance Corporation Thomas Hoenig, a supporter of Glass-Steagall, warned of the dangers of the extraordinarily high level of leveraged loans in the U.S. banking system.

bubble directly themselves, and it is in this regard that we begin to understand the 180-degree difference of what the BRICS new credit institutions are set up to do, and what their importance is. Between the U.S. Federal Reserve, Bank of Japan, European Central Bank and Bank of England, they have printed the equivalent of \$8 trillion to buy securities from their biggest banks. The Fed alone has printed over \$4 trillion through its four different quantitative easing programs. Of that, almost equal amounts went to the megabanks in the United States, and those in Europe.

None of this mass of money, printed for the biggest banks, has been loaned out. The six biggest U.S. banks’ deposits, for example, rose by \$2.2 trillion from 2008 to 2013; their so-called excess reserves increased by more than \$2 trillion; their lending dropped by \$700 billion, at the same time. Since mid-2013 the Federal Reserve has reported gradual increases in bank lending, but, tellingly, five of the six biggest banks, in their own audited financial reports, have continued to show their lending either stagnating or falling further, up to the present time. So while they have over 65 per cent of all the deposits in the whole banking system of the country—thanks to the Fed—they have turned this into speculative money; it’s in financial derivatives, securities, swaps, repo loans to other banks and non-banks, shadow banks, and financial companies and funds. It’s not in the real economy through loans. All of the masses of this central bank money-printing have produced one thing: excess reserves of the banks, held at the central banks, which are flowing in and out of various securities and derivatives bubbles.

And they have produced something stranger: bubbles in the government debt of the United States, Germany, and other major countries. Now, it was a principle of Alexander Hamilton’s First Bank, that

that bank would not buy U.S. government debt, that it would make loans against government debt as collateral held by the borrowers, but that the only government debt the bank would hold was that which was put into it as capital stock when it was founded. This was likewise a principle of President Madison's Second Bank, and of Henry Clay's Act to create a third bank in 1841, which was enacted by Congress but vetoed by the successor of a conveniently deceased President Harrison. Now we have the spectacle of three central banks, the Fed, the ECB, and the Bank of Japan, at various times buying the majority of all of the debt issued by their governments, trying to provide more and more reserves to financial institutions, which stubbornly refuse to lend them.

This quantitative easing practice has driven the interest rates on even the medium-term bonds of the major trans-Atlantic governments down towards zero; and it has also created scarcities of these bonds. In effect, these governments have been deprived of the ability to raise large bond issues for infrastructure from their own publics, as Egypt did so successfully last summer for the second Suez Canal: nine billion dollars' equivalent raised in Egyptian currency, from Egyptians alone, within the space of eight days, in order to build that canal. This is what has been cut off by the zero-interest-rate quantitative easing program of the major central banks.

German bond rates, for example, are too low for savings or retirement bonds, too low for insurance companies to buy them for their risk reserves. Rather, all but the longest-term government notes and bonds have become leading instruments of financial speculation in the world, in the repo markets and the derivatives markets. It's said that every hedge fund in the USA and Europe has invested heavily in the same bet: a long bet on 10-year U.S. Treasury bonds, mean-

ing betting that their interest rates will go down still further after seven years of steady decline.

The current financial media rumours of an imminent crash in the bond markets, therefore, are that these bond markets are becoming illiquid. The London financial press is now publishing repeated alarms, including from official sources. For example, *The Telegraph* wrote on 21 March:

But it is the corporate bond market where worries about trading conditions are most acute. The ultra-loose monetary policies pursued by the Fed, the Bank of England and the European Central Bank has resulted in a torrent of bond issuance in recent years from companies seeking to capitalise on rock bottom interest rates. ... A rate hike by the US Federal Reserve, which would be the first since 2006, could trigger turmoil. ... Last week, the Bank for International Settlements cautioned that liquidity was concentrating in the most readily traded securities and that 'conditions are deteriorating in the less liquid ones' ... Perhaps the most arresting warning came last November, when the International Capital Market Association (ICMA) surveyed investors, analysts and traders of European corporate bonds and concluded that the common fear was that a 'melt-down' of global credit markets had become unavoidable.

The bond markets are not actually becoming illiquid; rather, all the liquidity in them is buying the same bonds and derivatives, while others—for example, now, the hundreds of billions of high-interest bonds of shale oil drillers and related companies—have become illiquid. This is what happened 10 years ago, when U.S. mortgage-backed securities and their derivatives became the bet that every bank and fund had to be in. If the crash is triggered in this way, the central banks will have done it directly themselves.

China Drives Economic Growth

Now let's look at these nascent international credit institutions. The formation by China and the BRICS countries of new international credit banks for infrastructure has unleashed the potential to create the first real economic growth in decades, along the Silk Road and Belt, including in Africa and the Middle East. It also carries the potential to reverse years of economic collapse in the trans-Atlantic system, the United States and Europe. The United States scrapes the bottom of all industrial countries, by investing just 1.3 per cent of its GDP in economic infrastructure; the



People queue to buy debt bonds at an Egyptian bank. To build the new Suez Canal, the al-Sisi government raised the equivalent of US\$9 billion in Egyptian currency, from Egyptian citizens *only*, within the space of eight days.

EU countries are really no better, with an average of 1.7 per cent—this compared with 4.8 per cent currently for India, and 8 to 9 per cent in China every year since 1992. Net investment in infrastructure in Germany, the “economic powerhouse” of Europe, has been *negative for 10 years*; that’s why, to cite one example, the bridge over the Rhein River near Wiesbaden is closed and unusable, with no other bridge over Germany’s most important river for 40 km to the north and 50 km to the south.



The U.S. economy faces a complete breakdown due to a crippling drought in its semi-arid western and south-western regions. Lake Oroville in California is pictured in 2011 (left) and empty in September 2014 (right). (Credit: Paul Hames and Kelly Grow, California Dept. of Water Resources)

But the U.S. economy faces a more terrible breakdown than anything occurring or threatened in Europe. That is because the entire arid or semi-arid western and south-western regions of the United States are running out of water for uses essential to modern human life. California, the most affected state, has been estimated by the space agency NASA to have just one year of water supplies remaining. Even somewhat increased rains this winter have not affected the deepening drought condition. Irrigated agriculture has already been lost. Food production, as well as industrial production, has been cut. But the most tragic aspect is that nothing is being done by governments, and nothing is being *planned* by governments, to bring additional water supply to the region. Given this feeble economic sterility, the drought may easily continue long enough to make desert of, and depopulate, the United States’ most productive region.

So the United States under Obama has now become the isolated adversary of the AIIB and other Silk Road development banks; but the United States remains the *critical* nation to join China in this globe-spanning investment. Why? It’s important to understand that China has been the sole source of credit in the world, for the world, since the 2008 crash. It has been, until very recently, the planet’s one and only credit driver, the one nation holding back an economic dark age.

As I mentioned earlier, the Federal Reserve printed four trillion in QE programs, four trillion dollars, purely building up major banks’ deposits and excess reserves, for purposes of speculation. This newly printed money does not enter the economy through bank lending; it merely drives up the value of assets

held by financial institutions and traded among them. But the state banks of China have issued credit—if you like, “printed money”—at the rate of four trillion dollars’ equivalent *per year* since 2009; in the range of \$20 trillion in total, leveraging even China’s huge currency reserves by five times. And the vast majority of this world-historic credit flow has not been for their private banks, but for every other sector of their economy.

Thus, it is a considerable understatement to say that China has been the only economy in the world which has maintained its growth through the crash and collapse; it has maintained *the world’s* growth, the world’s demand for machinery and commodities and new technologies. China used, between 2011 and 2013—that is, in three years—as much cement, and this is considering only high-quality grades of cement, as the United States used in the entire 20th century: about four gigatons, four billion tons. Scores and scores of new cities were built, of over one million people each; hydroelectric and water management projects on a very large scale; incredible transport and port development; two-thirds of all the construction cranes in use in the world. China built, between 2006 and 2014, a 16,000-km network of high-speed rail lines—larger than Europe’s entire high-speed network, equal to all the rest of the high-speed rail in the world—and is building another 10,000 km now. We don’t need to discuss the development of its space and fusion energy programs during those same few years.

Think of the demand Lyndon LaRouche made in a statement approximately one month ago: collapse Wall Street and the City of London, let that bad debt go, but create a buffer of credit for productive employment of populations. Wall Street and London did

Prospective Founding Members of the Asian Infrastructure Investment Bank



As of 15 April 2015, there are 57 prospective founding members of the AIIB, of which Australia is one.

the collapsing, the trans-Atlantic nations and Japan provided the bailouts to save them from collapsing; while China provided the only buffer of new, productive credit.

During that time, China has been acting against the worst of economic circumstances and the worst of financial practices by the global banks. Some of this immense amount of credit issuance therefore went into debt bubbles in real estate and commodities, eagerly abetted by the carry-trade money printed by the Federal Reserve and Bank of Japan, and flowing through London's Hong Kong banking centre into shadow banking in China. Some of the credit went into what is now overcapacity in manufacturing in China; that is due in part to the collapse of the real economic markets of Europe and the United States.

This credit is reflected in the form of debt, and some of it is now unpayable. Now, through the breakthrough of forming the BRICS and Silk Road credit institutions, China is assisted in its policy of *redirecting* some of this debt and new credit not only away from shadow banking and commodity bubbles, but also away from manufacturing investment, and into new, high technology infrastructure, education, and scientific progress—future productivity. Thereby, it can also mobilise its huge domestic savings, which are estimated at eight trillion dollars' equivalent, through these institutions and into investments and productivity advances in much of the rest of the world. India will also do the same through these institutions, and also build its manufacturing sector, which has lagged well behind up to now.

This is Hamiltonian credit! Hamiltonian credit is

the *reorganisation* of debt—including, sometimes, unpayable debt—and its redirection into investment in the future productivity of mankind. Alexander Hamilton's own First Bank of the United States reorganised America's debts, both the payable and the unpayable, and directed them, by replacing them with new longer-term debt, backed by taxes, but, much more importantly, invested in creating a national transport capability, ironworks and other manufactures, for the creation of the United States' economy during the subsequent 19th century. This is completely opposed to a policy of printing money to create excess private-bank reserves and inflate assets.

U.S. debt, as well as European, urgently needs to be directed away from what is now zero-interest issue of debt by governments, creation of bank reserves thereby, and speculative instruments benefiting only Wall Street. In effect, China has already done this with its U.S. Treasury holdings, as was noted 26 March by an astute German banker, who was interviewed in Beijing by the German financial publication *Wirtschaftswoche*. He said that the paper money issued by the U.S. Treasury was, in part, being recreated by China into infrastructure investment; that is, through their holdings of U.S. Treasury securities and their investment through these credit institutions.

Because the U.S. dollar has been the world reserve currency, and nearly \$13 trillion worth of U.S. Treasury debt is publicly held, the conversion of even a small portion of that debt into a credit bank to work directly with the new BRICS credit institutions, would be decisive for the whole Silk Road infrastructure project, and for the revival of the U.S. economy as well.

It would decisively raise trans-Atlantic government bond interest rates away from zero, so that they can mobilise public savings for infrastructure investment, in addition to the credit buffer of such a credit bank.

Obama's suicidal campaign against the AIIB is the worst defeat of a Presidency which has piled up many such disasters; in my view, Obama's defeat on this ranks with the disaster of Churchill's Gallipoli campaign, which I think Australians know something about. Churchill was dumped as a result of that campaign; Obama has to be dumped *now*, and LaRouche has said that in the process of this Presidential campaign, he should be dumped.

Think, for example, of what Franklin Roosevelt, having been elected, but still five months away from the Presidency, did to effectively paralyse Herbert Hoover, by simply refusing—opposing, and refusing to collaborate in—anything that Hoover proposed or did, effectively removing Hoover from the Presidency during that period of time, in which what was going on in Congress, and what was going on in preparation for the Presidency, was being directed by Roosevelt, and not by Hoover. LaRouche has called for the dumping of Obama, neutralisation and dumping of him as a result of this tremendous defeat that he has suffered, in the course of this campaign. If that happens, the United States—which is the decisive nation, along with China, in creating this new universe of productive infrastructure credit—can then join in that endeavour; and that, of course, is the purpose of our organising, and part of the purpose of this conference that you're holding.

Having said that about the crash, and the AIIB and other new and nascent credit institutions, let me leave some time, if you do have some questions or comments, to respond to them.

Discussion Excerpt

Craig Isherwood: This is a question from CEC organiser Sleiman Yohanna. "I know that China is different, but my question is: despite the financial and economic sanctions against Russia by the West, could you give us a 'reality check' and comparison between the EU/USA and the Russian economy?"

Paul Gallagher: The Russian economy has very different kinds of problems, it has serious limitations on it, which have to do with the dependence on



Russian President Vladimir Putin is shown in recent meetings with Chinese Prime Minister Li Keqiang (l.) and Prime Minister Narendra Modi of India (r.). Since the imposition of U.S. and EU sanctions against Russia over Ukraine, China and India have not only extended political support to Russia, but have moved towards substantial economic integration.

imports of various kinds, which have been cut off—both those which have been cut off, and those which have not, but where the import-dependency is still a weakness. The most powerful blow which has been delivered to it is the so-called "Saudi Sanction", the oil price sanction, which has made a more damaging impact on the Russian economy than any of the sanctions imposed through the EU, NATO and so on.

There has clearly been a move towards real integration, not only political support, among China, India and Russia. The political support has been stated very publicly and clearly, for example by Li Keqiang, the Prime Minister of China, and by Prime Minister Modi in India and others in his government; the political support for Russia in the face of these sanctions has been made clear. Actions are following words in that respect, in terms of direct credit support for the Russian oil and related industries, and in recent days India, in addition to longstanding cooperation, has also started to make investments into Crimea, for example, in order to develop some modern industry in Crimea, which is still semi-cut-off, even from the Russia it has rejoined.

So there are serious problems there. I'm saying, don't look to Russia to make large contributions to the issuance of credit through these development banks. That's part of the reason why I concentrated so much on the United States. There's more of a potential contribution to real development credit from the United States, than all of the European nations which have joined the AIIB combined. The United States, because of what I went through, the world reserve currency and the very large amount of publicly held debt, is in a position to really do things here. Don't look for Russia to provide that kind of input, but rather scientific input and industrial input of critical types. Nuclear construction is emblematic of that: it is, at the moment—although it may be overtaken by China—the world's leader in full nuclear plant construction, and in new modalities of nuclear plant construction. So it

will contribute; but not credit.

Jim Hazzard: Why doesn't Putin take over his central bank, which is being run by a monetarist at the moment, charging 15 per cent interest, and create Hamiltonian credit through that bank, the same as China is doing today?

Paul Gallagher: Well, I can't really be Vladimir Putin, or speak for him. We know what has been proposed. What you just said has been proposed repeatedly by one of his advisers, Sergey Glazyev; and that is of course a very strong and longstanding connection to the writings and views of Lyndon LaRouche, whom Sergey Glazyev brought to Russia to speak in the Duma and elsewhere. So far, Glazyev's has been an isolated voice. Putin certainly *could* do what you're proposing, although I think much more readily by using what's called the National Welfare Fund, which has been created and has been used almost exclusively as reserves for the defence of the Russian currency; it essentially has been kept in reserve and not used as development credit. Such a credit bank, I think, could be more readily created that way, but certainly it's there to do.

The reason that he doesn't do it appears to be because of the disease of monetarism infecting almost all of his team of economic advisers and his financial and economic officials. And we have to attack that in every opportunity that we have; to organise Russians, both contacts in the government and without, because that disease of monetarism is running their policy.

Valeria Birsa: Considering that most of the United States' government was bought by bankers, wouldn't dumping Obama bring one of the same back? What other options would Americans have?

Paul Gallagher: That's a very important question. We had a major episode in December 2014, of the Wall Street banks running roughshod over the Congress in a very public way. Everybody could see it, the media reported it, the average American could see very clearly. The Wall Street banks intervened directly to tear up banking regulations which were weak enough to begin with; they had been passed five

years ago as part of the Dodd-Frank bill, but they had not really taken effect. When they were about to take effect, finally, they were repealed, on the direct bribery and threat of Citibank, JPMorgan Chase. There were infamous incidents where President Obama and Jamie Dimon, the CEO of Morgan Chase, were simultaneously calling and whipping the same members of Congress to vote for the provisions to repeal these bank regulations. And what they were repealing were the few regulations which forced the banks to take only the very riskiest derivatives—the commodity derivatives, the uncleared credit derivatives—and move them outside the commercial banks so the taxpayer wouldn't be insuring them, and into separate firms. But since that was less profitable to the banks, they simply crushed it.

This was so dramatic, and so obvious, that it led to a backlash immediately, so the repeal of these regulations, which they were rushing through the Congress, very nearly failed at the last minute, because there was a joint revolt in both the Senate and the House at the same time, which rarely happens. It created what some called a "Glass-Steagall moment", where it hit quite a lot of members of Congress and others at that time, that there was nothing but Glass-Steagall that could possibly work; that the regulations they had been told were "just as good as Glass-Steagall" had just been ripped up by the bankers.

That didn't immediately win any victories in Congress, but now, as you undoubtedly know, a major candidate for the Democratic nomination for President has started his campaign on the basis of restoring Glass-Steagall. That is former Governor of Maryland Martin O'Malley; his main thrust in his campaigning is "restore Glass-Steagall". He says: break up the Wall Street banks; some of those banks have to be closed down; the heads of those banks have to go to prison; that's what I'm campaigning around. He's also gone after Obama for the kind of "regime change" wars that the United States has fought under Obama, the disasters of those wars. So this backlash has now materialised into a potential fight in the Presidential campaign itself, which is what Americans pay more attention to than anything else, politically.

The Hamiltonian Revolution and FDR's Glass-Steagall

Robert Barwick

CEC Executive Member and Research Director

The most pressing challenge facing the world right now, is rapidly reversing the general economic breakdown that is driving the world into war. It can be done, but it will require abandoning the general axioms of political economy that have prevailed for the past three decades.

Paul Gallagher has described the economic crisis that has come from those axioms. Let me single out one symptom of the crisis: under-investment in infrastructure. Infrastructure is not just another part of the economy; it is the platform on which the economy functions, to meet the current and future needs of the population. The neo-liberal financial policies that have taken over since the 1971 collapse of the Bretton Woods system have failed to produce the infrastructure that the world needs. Instead, the waves of speculation unleashed by financial deregulation siphoned investment away from all the priority sectors of the physical economy, especially infrastructure, and pumped it into speculative bubbles—the financial markets, commodity markets, housing bubbles and the big one, the global derivatives bubble—that have been bursting since 2007–08.

There is now a consensus, worldwide, on the urgent need to invest in infrastructure. In Australia, the so-called “infrastructure deficit”, that is, what should have been spent but wasn't, has been put at over \$700 billion. U.S. experts have warned for a long time of the parlous state of its infrastructure. In the 2009 documentary “The Crumbling of America”, the American Society of Civil Engineers documented the advanced state of collapse of America's bridges, dams, water and sewerage systems, power grids, etc., after decades of what they call “deferred investment”. U.S. infrastructure spending at the end of the Eisenhower administration in 1961 was 12.5 per cent of the domestic budget; by 2009 it was 2.5 per cent, compared with China's 9 per cent. The engineers estimated it would take \$2.2 trillion over five years just to repair America's existing infrastructure to an acceptable level, let alone build more. But when Congress passed the \$800 billion stimulus bill in 2009, only \$72 billion was earmarked for infrastructure. European nations have similarly under-invested in infrastructure. In the UK,



Robert Barwick addresses the CEC conference, 28 March 2015.

for example, the economy outside of London is in desperate need of infrastructure, and an economic recovery more generally. This systematic underinvestment and ruthless austerity is a major factor driving the independence movements in Scotland and Wales.

Much of the developing world, particularly Africa, has been blocked from developing infrastructure on a scale commensurate with their needs. This has condemned many nations to seemingly endless poverty. Much of the destruction caused by severe weather events that nowadays gets blamed on climate change, is in fact the result of poor and decaying infrastructure.

Faced with this challenge, what can be done? Most nations are mired deep in debt. Haven't we run out of money? Just take Australia: we have a \$50 billion deficit. How could we afford \$700 billion for infrastructure?

The solution to this challenge requires understanding the false premise underlying these questions, which is that money is necessary to build infrastructure. It is not, and this is not a theory: the first secretary of the Treasury of the United States, Alexander Hamilton, demonstrated it to the world 225 years ago. In so doing, he designed a unique system of political economy, called the American System, which, when used, drove America's spectacular development in the 19th and 20th centuries into the most powerful nation in the world, and inspired other nations, including Australia, to emulate them.

Funding Infrastructure

Before getting into the details of Hamilton’s American System, let us first look at the other ways that experts today are proposing to address this infrastructure challenge.

First, the least controversial, but also most unlikely, way to fund infrastructure is through taxes. This approach is limited at the best of times, but it is especially limited nowadays in this era of steep budget deficits. Infrastructure is expensive, and long-term. Funding it out of short-term tax revenues is so difficult, that it is usually relegated to the end of the list of priorities, where it becomes “deferred investment”. In truth, those who insist on funding infrastructure this way do so in order to ensure the infrastructure is never built. Take, for instance, the latest incarnation of a fast train from Melbourne to Brisbane (Fig. 1).

The Gillard government in 2013 announced that it was a feasible project, but that it would cost \$114 billion, and take 50 years to build! They projected its completion would be in 2065. Almost by definition, a project over such a long time frame would never be built. The reason for this ridiculous estimate is that it was to be funded out of the annual budget. Compare this example with Jeremy Beck’s report on the infrastructure China is building around the world (page 48).

A second way that is proposed to finance infrastructure is through private investment, or a combination of private investment and public funding—so-called Public-Private Partnerships. This is all the rage in recent times, pioneered by Australia, actually, through schemes cooked up by Macquarie

Bank. Investment banks and managed funds all over the world have teamed up in an organisation called the Long-Term Investors Club (LTIC), which boasts of having over \$90 trillion under management, that they are seeking to invest in infrastructure projects. On the face of it, this intention sounds good—a win-win for investors and governments. But it is far from so, and Australia is the proof of that.

Private investors do not fund infrastructure for infrastructure’s sake; they want a return, and the highest return possible. Banks such as Macquarie that specialise in this business prey on investment opportunities that they can structure to ensure the highest returns; they therefore tend to invest in toll roads, privatised utilities and similar infrastructure—ports and airports are also favourites—which are effectively localised monopolies servicing a captive market, on which they can whack hefty user charges that cannot be avoided. Macquarie pioneered toll roads in Sydney, winning generous, multi-decade concessions from the government that in some cases ensured that “competitive” infrastructure, such as public transport rail lines, would not be built parallel to their toll roads. Sydney is now criss-crossed with these toll roads, but traffic congestion is as bad as ever.

Here are the biggest problems with privately funded infrastructure:

- Whereas infrastructure is supposed to boost productivity, which makes economic activity cheaper, the hefty user charges on toll roads and airports end up making the infrastructure an economic burden on the user.

- Infrastructure should be built for the future, so its capacity should always exceed current demand, but private infrastructure seeks to maximise immediate returns, so it is often intentionally built only to meet current demand, if that, and is equally often soon overwhelmed. Toll roads get built with three lanes each way, instead of six or eight, and later the users suffer extreme inconvenience, and cities slow to a crawl when extra lanes have to be added. This decreases productivity and increases real costs.

A third way to fund infrastructure is by governments borrowing money from private investors. Again, on the face of it, this is not the worst idea in the world, especially in today’s economic climate. A lot of investors are so desperate for financial security above all else,

FIGURE 1



FIGURE 2



that they are keen to lend to governments; the interest rates on government bonds have probably never been so low. The Australian government went from zero net debt in 2007 when Kevin Rudd was elected, to around \$300 billion in net debt today, thanks to the deficits and stimulus the governments ran as a result of the global financial crisis. If just a portion of that borrowed money had been invested in nation-building infrastructure, such as the 18 major water projects that the CEC proposed in 2002 (Fig. 2), which were estimated would cost \$40 billion, Australia's economy would be very different today—enjoying real prosperity.

As good as it sounds, there is a danger with this approach. Most private money that goes into government bonds is not invested by individuals, but by fund managers and banks working in tandem, or you could say hunting in packs—the so-called financial markets. The financier elite who dominate these markets are of the conviction that they are a power above governments, and should dictate to governments.

Their ideological stooges in many governments share this conviction. In April 2012 Joe Hockey, then opposition Treasury spokesman, gave a speech to the Thatcherite Institute for Economic Affairs in London, in which he endorsed the banks dictating austerity on the nations of Europe: “In today’s global financial system *it is the financial markets, both domestic and international, which impose fiscal discipline on countries,*” Hockey said. “*Lenders have a more active role to play in policing public policy* and ensuring that countries do not exceed their capacity to service and repay debt.”

Presently Egypt is consciously guarding against this danger with regards to its Second Suez Canal project, to avoid a repeat of the fight over control of the original Suez Canal. To ensure its sovereign control of the project, the Egyptian government is funding it through loans exclusively from everyday Egyptian citizens. This is a win-win-win: the government puts the people’s money to work on a project that creates jobs and improves their lives; the money and repayments stay in Egypt, boosting



The Egyptian government under Abdel Fattah al-Sisi is financing construction of the new Second Suez Canal solely through loans from the Egyptian people.

the domestic economy; and Egypt isn't obligated to the London and Wall Street elite or their agents in the IMF and World Bank.

Alexander Hamilton and the American System

Let us now turn to a fourth way of funding infrastructure, which doesn't actually belong on the list, because it is a revolutionary advance on the assumptions underpinning all three of the options discussed so far. They are all options within a monetary system; we will now discuss Alexander Hamilton's American System of Political Economy, which was an evolutionary leap forward, if you will, from a monetary system to a credit system. Hitherto I've used the term "money", but now we must think rigorously, so that we understand the concept of "credit".

The LaRouche Political Action Committee's 2013 "Draft Legislation To Restore the Original Bank of the United States" provides the following contrasting definitions of monetary and credit systems:

Monetarism constantly looks backward to the past, with the aim of monetizing the results of past production, rather than the creation of new wealth. The credit system operates on the intention of, and confidence in, the future. Rather than depending on past production, or stores of wealth, it creates wealth by tying the future completion of projects, and production of goods and manufactures, to the original promise. The currency of monetarism is formed by the liquidation of present goods into money. In the credit system, rather than the products of growth, growth itself is the currency.

Hamilton's thinking during the American War of Independence and afterwards was influenced by a century of conflict between the American colonies and their imperial overlord, Great Britain,

over control of their currencies. The British insisted that currency had to be specie—gold and silver coins. The argument was that only such specie currency would be "sound", but in truth it kept the colonies under tight control, suffocating their economies, as intended. Gold and silver mainly came by ship from Europe, so the natural daily economic activities of farming, hunting, and trapping for the

purposes of trade were severely restricted by an insufficient supply of currency. Colonists had to resort to inefficient bartering, etc. Determined to develop, colonial leaders thought this issue through, and realised that although short of currency, they had plenty of wealth: fertile land and plentiful resources, and skilled farmers, fishermen and tradesmen to produce wealth. So what was money, but a medium of exchange for the wealth they already possessed, and not wealth in and of itself?

Part 2 of the 2014 EIR *World Land-Bridge* report, "Financing the Global Land-Bridge 2064", provides the history of the development of the American colonists' thinking on this issue over the 120-plus years from 1652, when Massachusetts minted its own coin, the pine-tree shilling, against the wishes of the Crown; to explicit proposals to establish colonial banks that could issue bills of credit, not metal coins, as the medium of exchange; to the common use of such bills of credit and the Crown's repeated crackdowns; and ultimately to the colonists declaring independence in 1776, an action provoked in no small part by this conflict over financial systems.

In 1795, Alexander Hamilton wrote the following definition and explanation of public credit, informed by the history of American thinking on this issue:

Public credit has been well defined to be "a faculty to borrow, at pleasure, considerable sums on moderate terms; the art of distributing, over a succession of years, the extraordinary efforts, found indispensable in one; a means of accelerating the prompt employment of all the abilities of a nation, and even of disposing of a part of the overplus of others."

...[I]t is among the principal engines of useful enterprise and internal improvement. As

a substitute for capital, it is little less useful than gold or silver, in agriculture, in commerce, in the manufacturing and mechanic arts. ...

It is matter of daily experience in the most familiar pursuits. One man wishes to take up and cultivate a piece of land; he purchases upon *credit*, and, in time, pays the purchase money out of the produce of the soil improved by his labor. Another sets up in trade; in the credit founded upon a fair character, he seeks, and often finds, the means of becoming, at length, a wealthy merchant. A third commences business as manufacturer or mechanic, with skill, but without money. It is by credit that he is enabled to procure the tools, the materials, and even the subsistence of which he stands in need, until his industry has supplied him with capital; and, even then, he derives, from an established and increased credit, the means of extending his undertakings. (*Report on Public Credit*, January 1795.)

Hamilton is saying that credit gives value to future production. Any individual can credit anyone's efforts, but Hamilton knew that no entity is better equipped to provide credit for future wealth than the government, which can back its credit with the resources of the entire nation.

This is the attitude with which he confronted the enormous challenges facing America after its victory in the War of Independence in 1783.

Making Liabilities into Assets

It was no small task. The new republic was so heavily in debt, that it was effectively bankrupt, and vulnerable to Britain's ongoing financial warfare. Thomas Jefferson and his allies had produced a first constitution which left the central government weak and powerless over the 13 states. In this period, the Bank of North America failed, because the national government was not strong enough to support the national bank. Hamilton was part of an opposing faction, including Benjamin Franklin, which organised a new constitutional convention that produced the U.S. Constitution that is still in effect, ostensibly, today. This constitution gave the federal government real power to direct a unified nation, as opposed to a jumble of states. George Washington was elected as the first President of the USA, and he chose Hamilton as his Secretary of the Treasury. They assumed office, and the new Congress commenced, in 1789.

Hamilton was determined that America should honour its war debts, which he called the price of liberty. But he knew that organising the government and the economy so that it was capable of paying the debt,

would require institutions and policies and a focus on development that would set America up for a prosperous future. In 1781, he had made the amazing declaration to banker Robert Morris, who helped finance the revolution, "A national debt, if it is not excessive, will be to us a national blessing."

The USA in 1789 had \$42.4 million in domestic debt, \$11.7 million in foreign debt, and the 13 individual states had \$21.5 million in debt between them. Hamilton's first act was counterintuitive: he *increased* the national debt, by taking the responsibility for paying the states' debts, onto the federal government. Such an action would be unthinkable to the unbalanced minds of today's monetarists, who are obsessed with debt and balanced budgets, but it was key to Hamilton's plan. He intended to make the U.S. government's pledge to honour that debt so watertight, that it turned this national liability into a national asset.

Here are the technical details of how Hamilton achieved this. He raised a new loan for the whole amount of the domestic and state debts combined, \$63.9 million, *from the existing debt holders*. They were asked to turn in the debt certificates that recorded their claim against the government, for which they were given new debt certificates, but at a lower interest rate of 4 per cent, compared with the previous 6 per cent. In other words, Hamilton refinanced the debt on better terms, by rolling it over.

The reason this was an attractive proposition to the existing debt holders, was that Hamilton tied this new loan *directly to the means of paying it*. This was something of an obsession of Hamilton's. He called it a "fundamental maxim, in the system of public credit of the United States, that the creation of a debt should always be accompanied with the means of its extinguishment." In principle, this means that credit should be directed into productive endeavours which will create the wealth that can pay it back. Hamilton applied this principle by including, in the same 4 August 1790 Act of Congress that authorised his new rollover loan, provisions that allocated the government's tax revenue to paying back this new debt. Thus, when citizens exchanged their old debt certificates for the new ones, they knew that the repayments on that debt were the government's priority. Even at the lower interest rate of 4 per cent, the new debt was a better deal, because its repayment was assured, compared with the uncertainty of repayment on the old debt certificates, which most had held since the Revolutionary War.

In Hamilton's words, this action "restored the public credit". Americans had such confidence in the new debt certificates, that they became the basis for an increase in the currency supply, precisely as Hamilton

had intended. Gold and silver were so scarce that the economy was suffocating, but debt holders could take their certificates to their banks to exchange for bills of credit that they could use as currency. There was no national currency, as of yet—the individual banks produced their own notes—but the government’s IOU was as good as gold.

The National Bank

In keeping with his maxim that the debt must be tied to the means of repaying it, Hamilton intended to harness this expanded credit in the economy, so it could be directed into productive activity that would increase the nation’s wealth. To achieve this, he established a national bank. Hamilton was experienced in national banking, because he had started one during the war, the Bank of North America, which had been crucial to the war effort. But in the six years between the end of the war and 1789, the weak central government was not able to maintain this bank, and it collapsed. With the advantage of a strong national government, Hamilton knew a national bank would succeed.

The national bank, called the First Bank of the United States, started with \$10 million in capital. Of this, the government paid \$2 million in gold and silver to subscribe 20 per cent, and the balance of \$8 million came from subscriptions from citizens. Hamilton’s stroke of genius was to direct the expanded credit, in circulation in the form of the government debt IOUs, into this bank so that it could be further directed into specifically productive ventures. He achieved this by allowing the citizens who subscribed to the bank’s start-up capital to use their existing debt certificates to pay three-quarters of their subscription. Thus, Hamilton recycled the original iron-clad pledge to honour America’s debts, circulating as credit through the economy in the government IOUs, into \$6 million of the \$10 million capital of the new bank.

The First Bank of the United States commenced operations in 1791. It had sufficiently large capital, that the bank notes it issued became the new national currency. It loaned heavily to the Treasury to fund U.S. government operations, and to private borrowers in industry. In so doing, it didn’t leave industry at the mercy of “the market” to meet its need for credit; the bank enabled the government to harness and direct credit into those areas. In his report to Congress at the end of that year, Hamilton was able to comment on the impact the national bank was already



The First Bank of the United States, in Philadelphia.

having, by directing public funds into resource development, manufacturing and commerce:

[I]n a sound and settled state of the public funds, a man possessed of a sum in them, can embrace any scheme of business which offers, with as much confidence as if he were possessed of an equal sum in coin. ... Industry, in general, seems to have been reanimated. ... [T]here appears to be, in many parts of the Union, a command of capital, which, till lately, since the revolution at least, was unknown. (*Report on Manufactures*, December 1791.)

In his 1795 final report to Congress, Hamilton attacked the claims being made that the national bank’s issuance of public credit was taking business away from the private banks—one of the arguments against national banking today—by pointing out that public credit complements private credit:

If the individual capital of this country has become more adequate to its exigencies than formerly, it is because individuals have found new resources in the public *credit*—in the funds to which that has given value and activity. Let public credit be prostrated, and the deficiency will be greater than before. Public and private credit are closely allied, if not inseparable. There is perhaps no example of the one being in a flourishing, where the other was in a bad state. A shock to public credit would, therefore, not only take away the additional means which it has furnished, but, by the derangements, disorders, distrusts, and false principles, which it would engender and disseminate, would diminish the antecedent resources of private credit. (*Report on the Public Credit*, January 1795.)

This, then, was the public credit system that Alexander Hamilton invented. A government which

thinks that money is wealth, and that such money is in finite supply, will always be subservient to those who control the supplies of money. But a government which understands that true wealth is the human creativity and technology and production that ensures the future growth of the economy, is not bound to the existing supplies of money. It is not limited to obtaining existing funds of money—whether through taxes or borrowings—to fund infrastructure. The government can, through the agency of a national bank, issue credit against the future growth that the infrastructure will generate.

Hamilton's national bank operated until 1811, and then another one, the Second Bank of the United States, operated successfully from 1816 to 1836, when Wall Street killed it off. In the history of the USA and the world since, there have been periods when the American System was applied, with great success, but longer periods when it was suppressed, by private financial interests hell-bent on dominating governments. Let's look at two other U.S. presidents who successfully applied Hamilton's principles—Abraham Lincoln, and Franklin Roosevelt.

Lincoln's Greenbacks

Abraham Lincoln was an advocate of Hamilton's American System of Political Economy throughout his life. In 1832, when he was a young man campaigning for the State Legislature in Illinois, he would introduce himself when campaigning with a beautifully succinct statement of the American System: "I presume you all know who I am. I am humble Abraham Lincoln. My politics are short and sweet, like the old woman's dance. I am in favour of a national bank, the internal improvement system, and a high protective tariff."

When he was president, during the Civil War, Lincoln revived Hamilton's system to fund both the war, and an economic development program that initiated the greatest burst of economic growth in world history, matched only by China's development in the last few decades.

At the time of Lincoln's election in 1861, America once again had no national currency. Individual banks issued their own individual notes as currency. One of the problems this led to was counterfeiting, which grew so serious that pamphlets had to be circulated on how to differentiate the genuine notes from forgeries. Not to be deterred, the counterfeiters simply counterfeited the pamphlets, too. In short, it was a mess.

At the end of 1861, following the eruption of the Civil War, Wall Street ganged up with British and French lenders to deny funds to the U.S. government. This was a demonstration of Wall Street's relation-

FIGURE 3



ship with the City of London, under the control of which the British had allied with the South. There is a parallel between this financial blockade of Lincoln's government, and the West's economic sanctions on Russia today. Incidentally, Russia supported Lincoln in the Civil War. However, the banks miscalculated against Lincoln, being perhaps not fully aware of how conversant he was with Hamiltonian national banking. He simply took control of the currency, by issuing U.S. Treasury notes to be a circulating medium; not backed by any gold or silver, as convention demanded, these were called greenbacks after the colour of the paper on which they were printed (Fig. 3).

The new currency was incredibly successful. All up, Lincoln's Treasury issued \$460 million in greenbacks during the war, to fund a 300 per cent increase in government spending. The Treasury between 1862 and 1864 issued \$500 million worth of 20-year bonds to fund the greenbacks. Very importantly, to ensure that banks and speculators would not be able to manipulate the currency that these bonds underpinned, the bonds were not tradeable. Lincoln also re-chartered state banks as national banks, to provide a network of financial institutions through which the government could direct credit.

Aside from financing the war, greenbacks also funded the commencement of the transcontinental railroads that opened up the interior to population and development, which drove such rapid economic growth that within a few decades the USA was the strongest and largest economy in the world. Alas, the assassination of Lincoln in 1865 took out a leading intellect of Hamilton's American System economics, and the Wall Street bankers reasserted control.



U.S. President Franklin D. Roosevelt signs the *Glass-Steagall Act* into law, 16 June 1933. Flanking Roosevelt are Senator Carter Glass (white suit) and Representative Henry B. Steagall.

Lincoln's successors in the presidency systematically reduced the circulation of greenbacks, until finally, in 1879, the currency was again chained to gold and silver.

Roosevelt, Glass-Steagall and the Reconstruction Finance Corporation

Finally, let's look at how Franklin Roosevelt revived Hamiltonian banking to fund infrastructure projects in the Great Depression.

Following the October 1929 stock market crash, American banks started crashing in their hundreds. President Hoover was captive to the Wall Street interests whose fraudulent gambling had caused the crash, so his response to the crisis was to try to bail out their banks, ahead of the millions of people whose lives were being ruined. He established a credit institution with the impressive name of Reconstruction Finance Corporation (RFC), not to fund reconstruction projects to create jobs, as the name implied, but to bail out banks. It failed miserably.

It wasn't until Franklin Roosevelt was elected in November 1932, that there was any intention to use the power of the government and public credit to address the crisis. The first signs of that intention came in the form of the Pecora Commission hearings, in the ten days before Roosevelt's inauguration in March 1933. A stubborn senator from Nebraska with a farming constituency chaired a committee that oversaw financial practices, but hadn't achieved anything of note. In the lame duck months between Roosevelt's election and inauguration, the senator was tempted to wind up the committee, but he persisted, and appointed a New York prosecutor of Sicilian heritage, Ferdinand Pecora, as counsel for his committee. Often determined individuals can turn the course of history, and Pecora was such a person. Not a banker, he applied his lawyer's

mind to the financial evidence in front of him, which allowed him to see criminality where people trained in banking saw standard practices.

Pecora used his ten days of hearings to put Wall Street on trial, and ripped the mask of respectability off the leading bankers of the day. None more so than the President of National City Bank, Charles E. Mitchell, known as Sunshine Charlie for his Midas touch. This is a man who was at the pinnacle of financial power, on the boards of the top national and international companies, including, significantly, the American subsidiary of German chemical giant IG Farben, through which he

was involved in consolidating the Bank for International Settlements as the central power over the world financial system to this day. (IG Farben, by the way, later used slave labour at Auschwitz for its production.) Under questioning by Pecora, Mitchell exposed himself as a stock swindler, tax evader and fraudster, and went to jail. Other leading bankers were also exposed and humiliated, including JP Morgan Jr. In hearings broadcast on radio to an eager population, Pecora exposed the links between Wall Street and Congress, sending Congressmen to duck for cover.

The proceedings were followed closely by Franklin Roosevelt, who recognised that Pecora's revelations had Wall Street on the ropes, and so provided a rare opportunity for him to push through policies to rein in the private banking powers. Roosevelt changed his famous inauguration speech at the last moment, to add, following "the only thing we have to fear is fear itself", the line, "Practices of the unscrupulous money changers stand indicted in the court of public opinion, rejected by the hearts and minds of men. ... The money changers have fled from their high seats in the temple of our civilization. We may now restore that temple to the ancient truths. The measure of the restoration lies in the extent to which we apply social values more noble than mere monetary profit."

Franklin Roosevelt, in the first 100 days following his inauguration in 1933, enacted sweeping reforms that did not fully revive the Hamiltonian credit system, but got very close to it. One of these laws was Glass-Steagall, which completely separated the commercial banks that serviced the real economy, from all forms of speculative investment banking. Glass-Steagall also set up the Federal Deposit Insurance Corporation, to give government protection to the commercial banks. This separation ensured a functional credit system: the savings that workers put in their banks were only for normal lending to

the home buyers, farmers, and businessmen of the real economy. This kept the credit circulating through the real economy. The FDIC insurance actually enabled the commercial banks to hold less capital in reserve, and thus increased the credit they could extend. As is well known, for the 66 years this law was in place, America had no major banking crises.

Another Roosevelt initiative was the Securities and Exchange Commission (SEC). This was in the same spirit as Glass-Steagall: to protect those who want to invest their money, rather than just keep it in the bank, from the predations of speculators, by putting a guard dog on the financial markets. This way, even investment bankers would have an incentive to find secure investment opportunities in the real economy that can actually help the country.

Roosevelt was not able to achieve his policy of creating national credit banks for industry, which got blocked in Congress as Wall Street fought back, but he did the next best thing. He took Hoover's agency for bailing out bankers, the RFC, and put it to use funnelling public credit into the physical economy. Roosevelt knew that Congress would block funding for many of the infrastructure projects he intended to build to put people to work, but the RFC did not depend on Congress for funding approval, so Roosevelt funded his projects through the RFC. Initially authorised to lend \$2 billion in 1933–34, the RFC by 1955 ended up lending \$50 billion, all of which was repaid. It expanded its operations by borrowing from the Treasury, and by reissuing all of the repaid loans and interest as new credit.

LaRouche PAC's 2012 report *NAWAPA XXI* describes the scale of the RFC's operations:

Its major operations were in reversing the mortgage meltdown, helping 20% of mortgaged urban houses and refinancing 20% of all farm mortgages; restoring food and energy commodity production; lending to industrial businesses for expansion; recovering exports and trade, financing export of American capital; and later, investing in the war-mobilization. The RFC achieved all of this by creating public corporations, banks, and associations, set up by the RFC, whose stock it owned, to lend to other sectors of the economy. ...

Congress amended the RFC act, allowing it to lend to industry, and agricultural and municipal districts. Institutions which were designed to foster and direct public works, such as the Civil Works Administration (CWA), and its successor, the Public Works Administration (PWA), received limited shares of the federal budget. However, the RFC then acted as the institution of public credit for these limited federal programs, by loaning a total of \$2 billion to these institutions to build the infra-

structure projects that would be needed to raise the productivity of the nation.

Loans from the RFC to the Federal Emergency Relief Administration (FERA) and the PWA employed 3.1 million people a year, not including the multiplier effects. It also funded levee and irrigation districts for water management and flood control, school districts, aqueducts, bridges, waterworks, highways, housing developments, hospitals, schools, and more. Most of the loans were termed 5–20 years, all of which were paid back.

The Rural Electrification Administration (REA), was created through RFC, financing 80% of the 20-year loans which farmers would take out from local REA districts at 3% interest. The REA received \$40 million a year for ten years, and increased electrification by 400% between 1935 and 1939, at least tripling the productivity of now 40% of American farms with electricity. By 1955, when the full effect of the REA and New Deal projects came on line, through such projects as the TVA, the Bonneville Dam, Grand Coulee Dam, and the Hoover Dam, this number rose to 88% of farms.

Conclusion

The three instances of Hamiltonian public credit we have looked at were all applied during times of crisis, with great success. A crisis should not be a prerequisite for resorting to public credit, but it often happens that way, because that is when the opponents of public credit, the private banking interests, are usually most discredited in the eyes of the public, and therefore politically weak.

We are now in another time of crisis. The world is plunging into an economic breakdown crisis that will destroy the power of the City of London and Wall Street and the economic consensus they have enforced on the world through the IMF and World Bank. In the face of this threat, the Anglo-American powers are going for war.

There can be no solution to this crisis, unless nations break with the monetarism that is the cause of the economic breakdown, and adopt the Hamiltonian principles of public credit instead.

The issue with public credit is less the mechanisms used, and more the intention for which it is used. Paul Gallagher has described the Hamiltonian overtones in the intention of the BRICS nations to create international credit institutions to finance economic development. Next, Craig Isherwood will cover the history of how the Commonwealth Bank was a Hamiltonian institution, used to develop Australia. When credit is harnessed by governments, and directed into development, it gives value to the future economic growth which supports us all, and is therefore the source of true wealth.

The Australian Precedents for a Hamiltonian Credit System

Craig Isherwood

CEC National Secretary

Few countries in the world have established a true Hamiltonian national bank. The first, of course, was the United States under Treasury Secretary Alexander Hamilton; a second was our Commonwealth Bank, brought into being through the early Australian Labor Party by the colourful, very determined and tirelessly working former American immigrant and federal politician King O'Malley.

The Commonwealth Bank of Australia functioned as a government-owned national bank, and was used as a vital tool for the Labor government of the time, in 1912–23, to develop our country, and then later in WWII. As a national bank, it scared the hell out of the City of London and the Crown!

On 20 January 1913, when the Commonwealth Bank first opened for business, the bank's first governor Denison Miller proclaimed, "This bank is being started without capital, as none is required at the present time, but it is backed by the entire wealth and credit of the whole of Australia."

Those words, "backed by the entire wealth and credit of the whole of Australia," became almost a creed or charter of the Commonwealth Bank, for Miller. This was the power behind the Commonwealth Bank: a power the government could use to protect and develop the nation, and to protect the nation and its citizens against the ravages of the private banks.

At a big bankers' dinner in London in the 1920s,



Denison Miller



The Commonwealth Bank, Martin Place, Sydney.



Craig Isherwood addresses the CEC Conference, 29 March 2015.

former New South Wales Premier Jack Lang reported in his 1962 book *The Great Bust*, Miller reaffirmed this creed, causing a great fright amongst the bankers. At this dinner, he calmly told them that the wealth of Australia represented six times the amount that had been borrowed, and that the Bank could meet every demand because it had the entire capital of the country behind it.

This was in stark opposition to the prevailing British ideas on banking.

In 1852 British Chancellor of the Exchequer and future Prime Minister William Gladstone had recounted his experience with the City of London: "The hinge of the whole situation was this: the government itself was not to be a substantive power in matters of Finance, but was to leave the Money Power supreme and unquestioned."

This is no different to the idea expressed by our current Treasurer Joe Hockey to the Federal Parliament a year or so before the global financial crisis. He stated emphatically: "If there have been any lessons learnt, Mr Speaker, over the last 30 years in Australia, it is that government should not be involved in banking."

The original Commonwealth Bank was created in order to provide the

mechanism to develop our national basic economic infrastructure, but also as a way of protecting workers' money from the ravages of the private banking system—especially after the 1893 Great Bank Crash. At one point during that crash, only nine of the 22 banks of the time in NSW remained open; depositors in those banks lost millions of pounds sterling. When they closed their doors, just seven of those larger banks owed their depositors £76 million. That was compared to the GDP of NSW, at the time, of £56.9 million.

The 1890s depression and following bank crashes destroyed the illusion of the infallibility of the banking institutions, and in 1891 led to the formation of the NSW Labor party (Labor Electoral League). Later that year in the NSW elections, no less than 35 Labor members were returned in the NSW parliament of 141 seats, out of the 52 on the official Labor Party ticket. These new Labor members were elected as the immediate effect of the discontent caused by that depression.

The workers who supported the Labor Party wanted a bank to protect them from the ravages they had just witnessed from the private banks.

At the first Annual Conference of the Australian Labor Party in 1893, the ALP adopted a fighting platform, within which its sixth point was: "Establishment of a National Bank—to secure State control of currency and transact all ordinary banking business." This last point was to remain in the fighting platform *for more than sixty years*.

King O'Malley

After federation came in 1901, banking, and specifically national banking, were still high on the list of goals for the Labor Party. Under the newly adopted Australian Constitution, the new Commonwealth government was given all the control over banking—except state banking.

The chief advocate of a national bank, namely the Commonwealth Bank, was King O'Malley. He was an American with a very colourful personality, but who also had a deep knowledge of banking from working with his uncle's small New York bank.¹

In 1908, O'Malley convinced the federal Labor Party conference held in Brisbane to adopt a detailed national banking proposal in its fighting platform. King O'Malley moved a large number of resolutions, setting out the plan for his bank in full details. The bank was to have the *power to issue bank notes*, which would be legal tender. It was to be responsible for all government banking. It was also to have the power to grant advances to government and the local governing bodies. There was to be a board, comprising the



King O'Malley

chairman elected by the Commonwealth government, and one director nominated by each state. It was to be a reserve bank, holding reserve funds of the private banks. The Commonwealth Treasurer was to have the right to attend all meetings of the board. The bank was to sell government bonds. The General Post Office in each capital would be the head office of the bank in that state, and any post office within the Commonwealth carrying on the business of a money-order office might be constituted a branch of the bank.

On 30 September 1909, in a five-hour speech in Federal Parliament, O'Malley emphasised the importance of a national bank for Australia's sovereignty:

"We are legislating for the countless multitudes of future generations, who may either bless or curse us. ... We are in favour of protecting, not only the manufacturer, but also the man who works for him. ... I propose the institution of a government national bank for managing the finances of the Commonwealth and the States. ... Cannot honourable members see how important it is that we should have a national banking system ...—a system that will put us beyond the possibility of going as beggars to the shareholders of private banking corporations?... The movement of the money volume is the vital monetary problem—the master-key to the financial situation. Through the control of this movement prices may be made to rise or fall or remain substantially steady. ... Such power is an attribute of sovereignty ... and ought to belong to none but the sovereign people exercised through ... Parliament and Government in the interests of the whole people."

O'Malley triumphantly proclaimed the precedent for his proposed new national bank. "I am the Hamilton of Australia", he declared. "He was the greatest financial man who ever walked this earth, and his plans have

¹ Robert Barwick, "A Credit System for Australia: King O'Malley and Australia's National Bank", a presentation at the May 2013 conference of the CEC, can be read and viewed at <http://www.cecaust.com.au/credit/>.

never been improved upon. ... The American experience should determine us to establish a national banking system which cannot be attacked.”

When the federal Labor Party won the election in 1910, O’Malley expected to be the treasurer. But his fellow Labor Party members preferred to listen to the private bankers, and Prime Minister Andrew Fisher always preferred not to upset the private banks. Instead, O’Malley was made minister for home affairs, and, as it turned out, that gave us Canberra on the Washington, District of Columbia, USA plan. Fisher made himself treasurer and prime minister, no doubt to counter O’Malley’s unorthodox methods.

At this point, the private banks stepped up their organising against the idea of a Commonwealth Bank, by wooing Fisher and Deputy Prime Minister Billy Hughes at private functions. They told them that there was *no profit in banking*. They persuaded Fisher and Hughes to give up the Commonwealth Bank idea.

To force the ALP caucus to implement their own national banking policy, O’Malley formed what he called the “Torpedo Brigade” among Labor MPs, which for eleven months secretly conspired to force a resolution through the Labor caucus, instructing Fisher to establish the Commonwealth Bank.

Fisher had to relent, and introduced into parliament the *Commonwealth Bank Bill*, drafted by the Treasury, not O’Malley, on 1 November 1911. The bill made *no provision for the Commonwealth Bank to issue its own printed notes*, and O’Malley believed the bank would be vulnerable without that power. After eight weeks of debate, eventually on 22 December 1911, the *Commonwealth Bank Act* became law. In June 1912, Denison Miller, a prominent official of the Bank of New South Wales, resigned his position and was appointed governor of the Commonwealth Bank.

Miller himself was ambitious, and once he left the Bank of NSW, he had determined to fight for “his bank”, to make it one of the greatest financial institutions in the country—and for the 11 short years until his untimely death, he succeeded in doing so. Six weeks after accepting the position, on 15 July 1912, with a small advance from the Commonwealth Treasury of £10,000, the Commonwealth Bank commenced savings-bank operations from a branch in Collins St, Melbourne, and through 489 agencies in money-order post offices throughout Victoria. By January 1913 he had opened a bank in each state of the Commonwealth, and also an agency in London, and had established the head office of the bank in Sydney.

Although Miller was authorised to raise £2 million through long-term bonds or debts to start the bank, he chose instead to open savings banks throughout Australia, at post offices and elsewhere,

and use the money (deposits) he obtained this way as capital, thus only being indebted and paying interest to his depositors.

Later that year, 1913, the Commonwealth Bank gave one of the first demonstrations that it was going to act like a national bank, when the Melbourne Board of Works went into the market to redeem old loans, and also raise new money. Governments at that time were heavily reliant on overseas loans from London. The Victorians got their quote from London. In addition to stiff underwriting charges, the best they could do was £1 million at 4½ per cent interest. They then decided to approach Denison Miller, who had promised to provide special loans for government bodies. He immediately offered them £3 million at 4 per cent interest. When asked where the very juvenile bank had raised all the money from, Miller replied, “On the credit of the nation. It is unlimited.”

Over the next ten years, the Commonwealth Bank functioned as a national bank, albeit through standard banking activities, and without the power of the note issue, which I will discuss later.

Funding World War I

In August 1914, World War I broke out in Europe. Major economic problems were experienced at the outset of the war. There was widespread concern about the future of Australia’s all-important overseas trade and her access to British capital. For a short time, this aroused acute fears, such that there were some temporary suspensions of stock exchange operations and foreign exchange dealings. Several savings banks experienced mild runs on their deposits. Some of the trading banks also suffered minor difficulties. They still had memories of 1893 and the Great Bank Crash.

Denison Miller stepped in, saying that the Commonwealth Bank, on behalf of the Commonwealth, would support any bank in difficulty. In fact, he had already issued the order at the Commonwealth Bank to put on more tellers, obviously to demonstrate that there was nothing to fear. That was the end to any panic.

At this point there was a double dissolution federal election, and Fisher was brought into power again, with Billy Hughes. Miller, as head of the Commonwealth Bank, was now in control of financing the war, at the request of Fisher and his government.

In order to meet the immediate financial needs of the Fisher war government and its Treasury, Miller took the bold move of giving the government an overdraft of £230,000. The Army wanted money to buy horses to equip the Light Horse Brigade. Miller found it without any objection or reluctance. Given that it was being funded from deposits, he also made sure that wherever the troops went, there was an agency of the

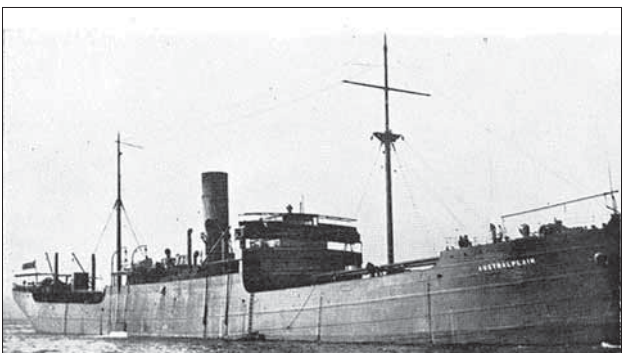
Commonwealth Bank, and he handed out passbooks to all the troops. Their surplus pay went into the Commonwealth Bank!

In 1915 the Fisher government launched its first war loan and gave the Commonwealth Bank the responsibility to handle it. According to Jack Lang again, "Instead of the old semi-secret methods of borrowing money, Denison Miller conducted his War Loan campaigns with ballyhoo. There were rallies in Martin Place with brass bands, actresses, V.C. heroes and politician speakers. The money came flowing in."

The Commonwealth Bank coordinated with the private banks the flotation of seven war loans, and three peace loans, totalling £250 million of loans with the support of all the private banks, for a charge of 5/7- per £100 (28c per \$100). Traditional loans floated in London cost the equivalent of \$3 for every \$100 raised. The Commonwealth Bank saved Australians some £6 million in bank charges, alone. All of these loans were oversubscribed, by 834,000 people. With the assets of the nation behind the Commonwealth Bank, it was able to take idle credit from the general population in the form of these loans, and use that credit to defend the nation. All of the loans were paid back to the subscribers by 15 December 1930, with interest rates from 4½ per cent to 6 per cent. The services that the Commonwealth Bank rendered to the people of the Commonwealth were immense.



Pooled wheat stack at Ganmain, New South Wales.



The Australplain, one of the 15 ships purchased in London by W. M. Hughes on behalf of Australia.



Launching the 1918 seventh war loan with great ceremony outside the Commonwealth Bank in Martin Place.

Saving and Developing the Primary Producer

The Commonwealth Bank saved the Australian primary producer from stark ruin during the war years by financing, with and without the assistance of the private banks, pools of wheat, wool, meat, butter, cheese, rabbits, sugar, jam and fruit, to a staggering total of £457.5 million.

The war interrupted the normal overseas commodity transportation and payment arrangements. Rural producers were faced with chaos unless a coordinated market effort were made. This led to the establishment of a number of commodity pools, including the 1915–16 wheat pool to handle the biggest wheat crop on record at that time. The farmers were immediately paid the basic war-time price, with further payments made when produce was sold at higher than the basic price. After the first wheat pool, the Commonwealth Bank assumed general control for all commodities taken over by the government. It allocated business to certain private banks. Through its London branch, it coordinated collection of payments for produce exported, and distributed the funds to the various banks involved.

Establishment of the Commonwealth Steamship Lines

One of the most dramatic illustrations of the power of the young Commonwealth Bank came in 1916. Billy Hughes was in London, and the government was having trouble with overseas British shipping interests. Australia, as an island nation, was beholden to British shipping interests. Once war broke out, the shipping companies raised their prices from 47/6 or \$4.75 to 105/- or \$10.50, despite the fact that the imperial government took the war risk on the vessels. Appeals to the British-run shipping companies had no effect. One account of how bad the freight costs got was cited in Parliament: "While the value of the cargo (maize) was £18,826 (\$37,652) the cost of the freight was £50,433 or 260 % higher than the value of the cargo."²

It was the Fisher/Hughes government's policy, from the 1914 election, to combat the exploitation of

² Hansard, Vol. 88, p. 11098.

people through high freight and fares, by establishing the Commonwealth Line of Steamers. Whilst Hughes was in London he discovered a fleet of 15 cargo vessels for sale. He acted upon his own, secretly, and bought these ships. He had a very short time to clinch the deal, as the established shipping combine would have shut the deal down. Hughes wired Treasurer W. G. Higgs, "Make available in London tomorrow morning at 10am, £2 million." Higgs called Miller, and Miller wired the Commonwealth Bank in London to have the money ready by morning. As stated later, the intention was to use the profits from the freight of Australian produce to pay off the overdraft that Miller had set up to buy this initial fleet of ships. The fleet was expanded to over 36 ships, with the augmentation of surrendered enemy ships, and the cost of freight to Australian producers was reduced to half that of the British-controlled shipping lines, at around £3 per ton. The profits from the shipping line went back to government to pay off the overdraft.

Commonwealth Bank Runs Papua New Guinea

The Commonwealth Bank was given some unusual assignments. For example, shortly after the war started, on 14 August 1914, instructions came for Australia to take Papua New Guinea from the Germans. On 19 August, 1,500 officers and men captured the wireless station at Rabul. After some further fighting, the German governor surrendered; he was a long way from home.

The Commonwealth Bank established a bank that began to trade in German reichsmarks, as it enabled the military authorities to exercise control of trade by enemy subjects there. Whilst trade to Germany was cut off, of course, the local economy was maintained internally. The only currency among Europeans in the territory was the German mark; notes and silver marks were the regular means of exchange, and the Australian troops were paid in marks. Savings passbooks were kept in marks. The administration in PNG found that by continuing to use the

German currency, the expense and trouble of obtaining coinage from Australia could be avoided. Also, the first shipment of Australian gold sovereign coins, amounting to £5,000, literally disappeared within two days. Apparently the Chinese living there paid a premium four marks for every pound, and then on-shipped the gold coins to China, where they were sold for a profit.

Payment of Troops

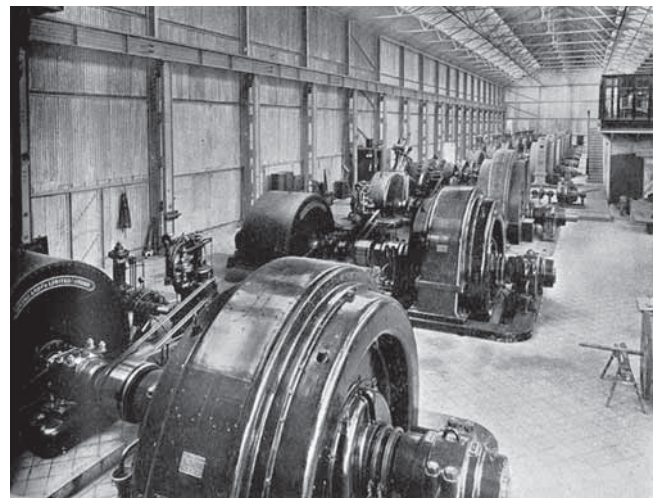
During the war, the Commonwealth Bank enabled Australia to transfer abroad, with maximum efficiency and the minimum of expense, some £3.56 million for the payment of 330,000 of her soldiers serving overseas, of whom more than 60,000 lost their lives and 165,000 came back wounded or invalided. It also established Commonwealth Bank savings agencies everywhere the soldiers were, and provided them with their own Commonwealth Bank passbooks.

Homes for Returned Soldiers

For five or more years, Australia had an enormous number of able-bodied workers engaged in the war effort overseas, and when they returned there was a shortage of houses. To deal with this, the Commonwealth Bank built 1,777 houses at a cost of £1,155,119 and purchased another 5,179 houses on behalf of soldiers at a cost of £2,874,502. Loans were advanced by the Commonwealth Bank at 5 per cent, fixed for 22 years in the case of weather-board homes, and 37 years in the case of brick homes.

Support for Local Councils

The Commonwealth Bank was also to become the natural bank for local councils. Its policy was, "Primary products are the main source of Australia's wealth and the Bank, realising that to ensure the proper development of the country, assistance must be given to those who are winning the wealth of the



The Commonwealth Bank granted loans to more than 60 local councils for important development works like building hydro-electric dams, building canals (l.) and providing the generators (r.) for reliable power generation and the electrification of industries in their municipalities.

soil, has sympathetically considered applications from local governing bodies for loans to improve the conditions of the primary producer...The Bank has granted loans to more than sixty councils in country districts to assist in development and improvements.”³

This development included electrification, providing reliable electric current for the establishment of butter factories, flour mills, saw mills and similar industries dealing with local products.

All of this activity was performed by the Commonwealth Bank, acting as a national bank in the interests of the general welfare. **Fig. 1** is a table from C. C. Faulkner’s book *The Commonwealth Bank of Australia*, showing Commonwealth Bank lending to local councils as at June 1923.

In a 1921 interview Miller was asked if he, through the Commonwealth Bank, had financed Australia during the war for £350 million. He replied, “Such was the case; and I could have financed the country for a further like sum had the war continued”.⁴ Again, asked if that amount were available for productive purposes in peace time, he answered in the affirmative.

All of this support was done without the important note issue function, which O’Malley had demanded. It was not until 1920 that the Commonwealth Bank was given the note issue power, but only, again, to protect the private bankers.

The Trans-Australian Railway and Fisher’s Note Issue, 1910

At this point I want to step back to 1910, before the Commonwealth Bank was founded, to explain why King O’Malley regarded the control of the note issue as so important. The ability of the Australian government Treasury to print notes is the clearest example of real national credit creation, using the sovereign power of government.

Back in 1910, with the population still distrustful of the private banking system, largely owing to the smash of 1893, Fisher passed the *Australian Bank Notes Act*, giving the Commonwealth Treasurer sole power to issue Australian notes, which were “payable in gold coin on demand at the Commonwealth Treasury which was in Melbourne...”

According to historian and author David Day, “Fisher was Prime Minister at a time when people were still conflicted about their identity. And Fisher

FIGURE 1

PURPOSE.	Loans to June 30th, 1923.
Permanent Improvements (Road Construction, Bridges, Drainage, etc.)	£2,830,000
Gas and Electric Light	1,260,000
Tramways	400,000
Council Chambers, Town Halls, etc.	280,000
Sanitary Purposes	360,000
Harbour Improvements	800,000
Repayment of Loans	2,700,000
Miscellaneous	730,000
Total	£9,360,000

was saying to them, ‘you have an Australian identity and that’s the identity you need to embrace’. Fisher created a psychological sense about being Australian—with the Commonwealth of Australia banknotes, the postage and the Coat of Arms. The banknotes epitomised his sense of Australian attitude to the core.”⁵

At the same time, the Commonwealth government passed a *Bank Notes Tax Act*, imposing a 10 per cent tax on all bank notes that had been issued by private banks and not redeemed. That meant that the old pound sterling notes, issued by the private banks, immediately lost 10 per cent of their value. They were very quickly returned, so that the new notes were legal tender.

The *Australian Bank Notes Act* of 1910, amended in 1911, also mandated that the treasurer was required only to hold, in gold coin, an amount not less than 25 per cent of the total amount of Australian notes issued.

I think that today there is common confusion, in the belief that the Commonwealth Bank financed the Trans-Australian Railway. The Trans-Australian Railway was the long railway, which was to be built to link up to the existing railway system, joining Kalgoorlie in the west to Port Augusta in South Australia. It made up the trans-Continental Railway (**Fig. 2**). This is not correct. Whilst the Commonwealth Bank provided the banking facilities for the railway and established branches for the workers right along the railway as it was being built, the Trans-Australian Railway was in fact paid for by the profits made by the government from its Australian note issue.

The building of the Trans-Australian Railway was a promise made to entice Western Australians to join the Federation. It was to be their link to the eastern states, from the west.

At a 1905 Labor Party conference in Melbourne, O’Malley called for support for a continent-spanning railway; but he said that it should run up through

³ C.C. Faulkner, *The Commonwealth Bank of Australia*, p. 250.

⁴ L.C. Jauncey, *Australia’s Government Bank*, p. 275. See also Treasurer Percy Spender’s speech in Hansard, Vol. 161, p. 976/7.

⁵ <http://www.coinworks.com.au/Interview-with-David-Day-award-winning-historian.html>.

central Australia to Darwin, for, "It was to be in the interests of developing Central Australia".

When Labor was swept into power in 1910, and O'Malley became the minister for home affairs, building this railway (but not up to Darwin) became his portfolio. In Parliament he said: "examine the map on the wall ... see that the territory which this gigantic national enterprise will traverse, linking up the east and the west with bands of steel and lightning-like express trains, constitutes the precise territorial strength of the whole Commonwealth." The first sod of earth was turned by the Governor-General at Port Augusta in South Australia in September 1912, just three months after the Commonwealth Bank was established in Melbourne.

Progress was slow for the first twelve months, but O'Malley imported two huge track layers from Chicago to speed things up. These track layers were preceded on the job by an Australian-developed steam shovel, so some of the latest technology was being employed here. It took just over five years and £7 million to build the Trans-Australian Railway.

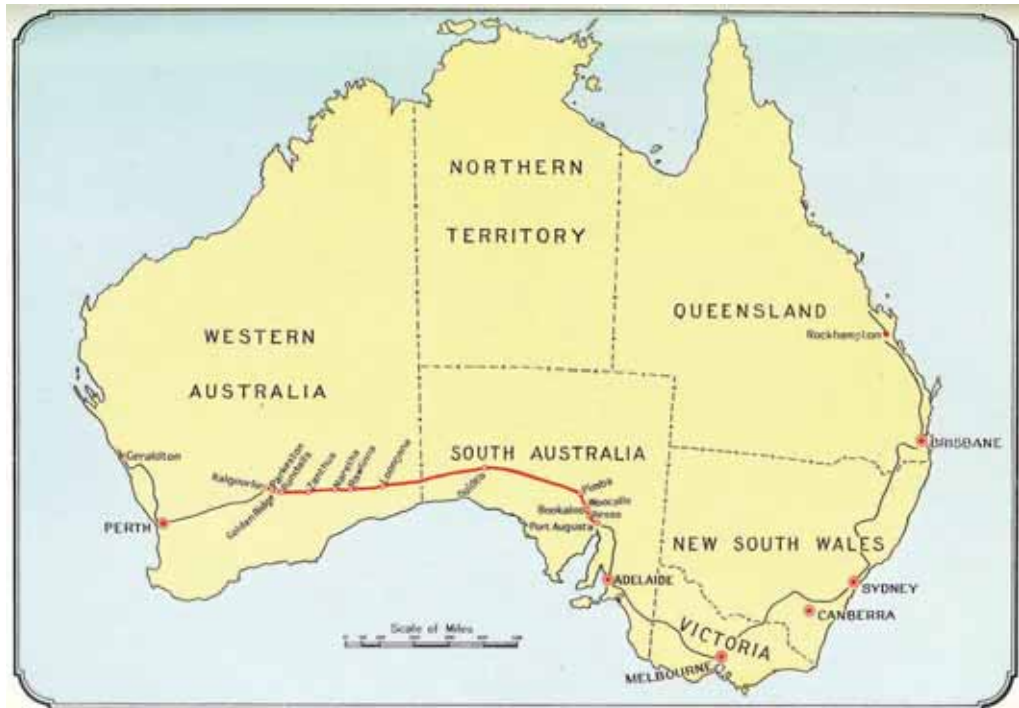
How was it paid for? Between the years of 1914 and 1920, the government increased the note issue by approximately £50 million, and these notes were put into circulation in various ways:

- (a) Some were given to the banks in exchange for gold.
- (b) Some were lent at interest to state governments.
- (c) Some were placed on fixed deposit with various banks at different rates of interest.
- (d) More than half the notes were invested in interest-bearing securities.

The last two items, (c) and (d), represented the Australian Notes Account at the Treasury.

The money for the Commonwealth's Trans-Australia Railway was paid in the following manner:

FIGURE 2



The Trans-Australian Railway was built by King O'Malley from Kalgoorlie in Western Australia to Port Augusta in South Australia, with extensions westward and eastward to the coasts. It took five years and £7 million to build.

1. From revenue (taxation)	£1,205,651
2. From "profits" on the Australian Notes Account	£3,428,519
3. From sale of some of the securities held by the Australian Notes Account	£2,335,372

	£6,969,542 ⁶

According to the Commonwealth Year Books, the amounts of (2) and (3) were treated as loans from the Australian Notes Account to the Commonwealth Railways for building the Trans-Australian Railway, but in reality this was just a transfer of funds from one government department to another. If it were not for the increase in the note issue, there would have been no money to transfer.

Therefore, as you can see, most of the money used to pay for the construction of the railway was obtained by printing notes, and none of it involved the people of Australia in debt or interest, directly. The government literally created this credit.

By 1920, the true power of issuing credit through the note issue was obviously noted by the private banks, and it had also become evident that the Australian notes were likely to remain the principal form of currency. The private banking cartels sought to regain control over them.

With the power of the Commonwealth to create credit for the nation through the note issue, the private banks always feared that if the Australian note issue

⁶ Hansard, Vol. 129, p. 1930.

remained under the political control of the Treasury, then the government might use it to solve problems of the nation. The private banks feared that there would be too much power in the treasurer (or the government), to issue legal-tender money.

In 1920 the Billy Hughes Nationalist government passed the *Commonwealth Bank Act* of 1920, which repealed the 1910 *Australian Bank Notes Act*, but at the same time transferred control of the note issue from the Treasury to the Commonwealth Bank. It also provided that “there shall be a Note Issue Department of the Bank which shall be kept distinct from all other departments of the Bank.” The Note Issue Department was to be placed under a board, and not just under the control of one man like Denison Miller. The Note Issue Board consisted of the Governor of the Bank (Miller) and three members appointed by the governor-general, including a representative of the Treasury.

Even though the new Note Issue Department paid the Commonwealth nearly £3 million from its note issue in December 1920–June 1923, the Note Issue Board was regarded as being disconnected from the rest of the bank, and this became the excuse for another change. In 1924, the Bruce-Page government brought in an amendment of the *Commonwealth Bank Act*, to place the bank under the control of a directorate made up principally of financial magnates associated with the private bankers, and other acolytes.

From the date of the appointment of this directorate, the Commonwealth Bank ceased to function as the people’s bank, or a valuable asset to the government. It became a bankers’ bank, run for their special benefit, until its revival in the World War II years under John Curtin and Ben Chifley. None of the great undertakings I listed before were taken on by the bank for many years.

Later, in the late 1920s and early 1930s, the second Great Depression hit. Labor Federal Treasurer Ted Theodore, at that point, proposed exactly what the private bankers feared: that the Commonwealth Bank make a special fiduciary notes issue of £18 million. The issue was to be done through the Commonwealth Bank, not backed or constrained by gold, to provide immediate aid to the wheat growers and work for the unemployed, by funding desperately-needed public works programmes. It was to stimulate demand, and reverse the deflation of the depression years. The economy was deflating from lack of credit.

The proposal was rejected by the chairman of the Commonwealth Bank Board, Sir Robert Gibson, who had replaced Denison Miller upon his death. Gibson denounced the move as inflationary—which, of course, it was. In a deflationary spiral, you need to create demand, i.e., some inflation.



First meeting of the Australian Notes Board on 17 December 1920. Denison Miller is seated in the centre, as its chairman.

This mean-spirited, London-directed policy was responsible for crippling unemployment of up to 30 per cent, and the destruction wrought by the Great Depression of the 1930 years. It was totally unnecessary!

He Who Owns the Gold Makes the Rules

It was not until WWII that things changed dramatically. Jack Lang wrote in *The Great Bust*:

Wars do not collapse because either side runs out of money. An army can run out of men or ammunition. But not out of money. It is a strange paradox that times of great human destruction are invariably times of great prosperity. While the war continues, the purse-strings are wide open. Inflation is a counterpart of war. There is unlimited finance to keep mankind in the most unproductive of all human enterprises.

Depression comes in peace-time. They are the aftermath of war. Governments regard the sky as the limit when it comes to borrowing for war, then a few short years later they quibble about a few millions to keep men employed. The money machine breaks down. Families starve. Businesses go bankrupt. Farm lands are stricken with a money drought. A strange paralysis creeps into every form of economic activity. They call it Depression.

When World War II broke out, this is exactly what happened. The expansion of credit to fund the war effort meant that unemployment disappeared almost overnight.

Over the period from 1928 to 1938, however, annual Government expenditure only rose by a mere £2.6 million pounds, from £78 million to £80.6 million (**Fig. 3**). This corresponded with the marginal increase in Treasury Bills issued by the government.

Jim Cairns recorded in his book *Oil in Troubled Waters*, that “whereas borrowing from the central bank through Treasury Bills—by which the Bank creates a credit to the Treasury, on the government’s authority, in

FIGURE 3

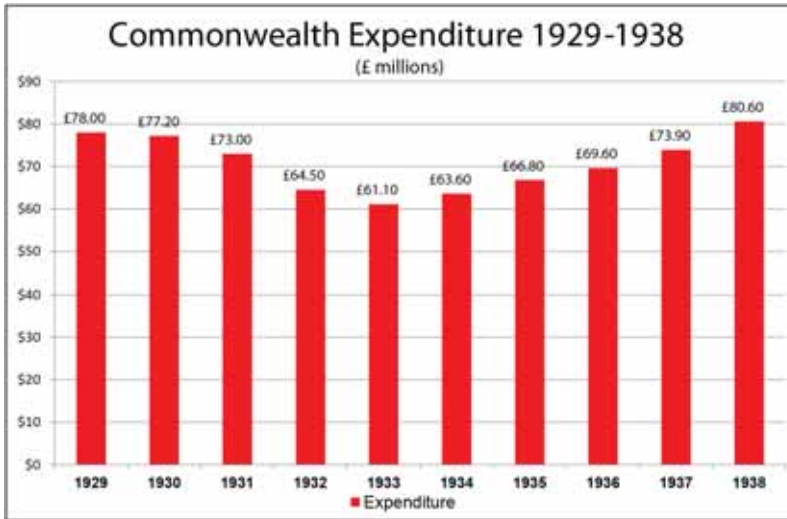


FIGURE 4

Year	Change (£ million)
Pre- and early war	
1933	+ 4
1934	0
1935	- 4
1936	+ 2
1937	- 1
1938	+ 4
1939	+ 3
1940	- 4
1941	+ 1
Total	+ 5
War-time under ALP	
1942	+ 59
1943	+ 173
1944	+ 77
1945	+ 68
Total	+ 367

Source: *The Australian Trading Banks* by HW Arndt

exchange for a Bill, against which the Bank then lends money to other banks—were not used prior to 1933, and in the nine years to 1941 only to the extent of a net £5 million [Fig. 4], in 1942 Treasury Bills increased massively, and continued all through the war.”

Then Curtin-Chifley took over the government in 1941. Immediately they used their war-time powers to give the Commonwealth Bank the powers and functions that O’Malley had originally envisaged it would have, as a national bank of deposit, issue, exchange and reserve. The Commonwealth Bank took control of the private banks, and financed the war mobilisation.

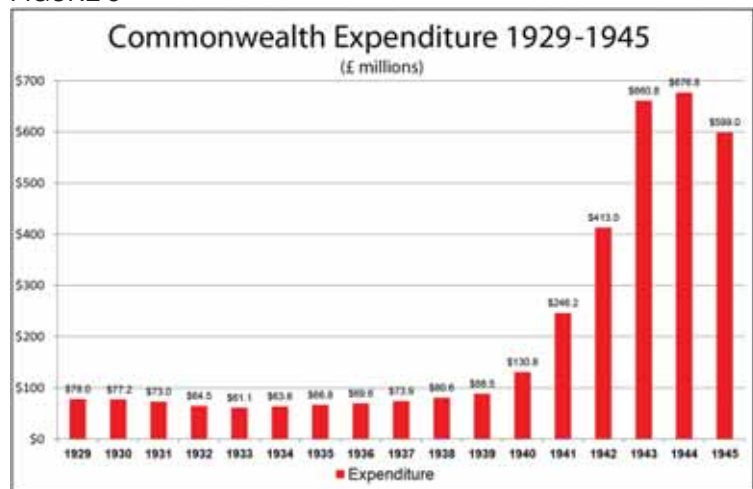
Whilst lending directly to the government for the war mobilisation, and brokering war loans, the Commonwealth Bank also took charge of the private banks. The private banks were made to deposit substantial reserves with the Commonwealth Bank, so that they couldn’t increase the money supply by excessive lending, which would have driven up the prices of rationed commodities and products, and caused inflation.

Instantly, the Commonwealth Bank started creating credit on an unprecedented scale, through the government’s issuance of Treasury Bills or government IOUs. These were issued specifically for the nation to mobilise its physical economic resources to fight the war. The increase in government spending was huge. The government would issue the T-bills, which were then used as an asset by the Commonwealth Bank to create those funds that would then fund the government’s expenditures.

Within just months of the war economy being mobilised, as Fig. 6 shows, Australia’s unemployment rate dropped to zero!

D.P. Mellor reports in *The Role of Science and Industry*, “The years 1942 and 1943 witnessed an astonishing increase in the number and variety of locally-made machine tools. ... At the peak of production in 1943 some

FIGURE 5



200 manufacturers employed 12,000 persons for an annual output of 14,000 machine tools. By the middle of 1944 what had been Australia’s greatest single technological weakness had become a major source of strength.”

The economic mobilisation of the war was also notable for the fact that there was virtually no war-time inflation, thanks largely to the strict banking controls overseen by the Commonwealth Bank.

On 9 March 1945, Treasurer Chifley moved the *Commonwealth Bank Bill* of 1945, to make the successful war-time banking structure permanent. He said, “The legislation that I am proposing today is based on the conviction that the Government must accept responsibility for the economic condition of the nation. ... Accordingly, the Government has decided to assume the powers which are necessary over banking policy to assist it in maintaining national economic health and prosperity.” His bill aimed to:

- Strengthen the central banking functions of the Commonwealth Bank [mandatory special accounts].
- Ensure that monetary and banking policy of the Commonwealth Bank shall be in harmony with the main decisions of government policy and in the interests of the people of Australia.

FIGURE 6



- Ensure the development and expansion of its general banking business by active competition with the trading banks.

- Return the control of the Commonwealth Bank to the governor, who will be assisted by an advisory council.

- Assist in developing small industries and in enabling the people to secure homes.

- Abolish the Board control of the note issue.
- Abolish the currency reserve requirement of 25 per cent in gold/silver.

Chifley said, “Reduced to its simplest terms, one of the main responsibilities of a central bank is to control the issue of bank credit by all the banks in such a manner as to *avoid expansion of credit in times of boom, and contraction of credit in times of depression.*” Or, you could say in short: the government has a central role in the nation’s banking.

Chifley’s banking reforms horrified the private banks, and today, as result, we no longer have a Commonwealth Bank. From 1945 until 1996, the Commonwealth Bank was completely destroyed by the desires of London- and Wall Street-directed banks. Between 1991 and 1996, the Hawke-Keating years, these two Labor prime ministers and the Australian government oversaw the sell-off of the Commonwealth Bank.

After World War II

There were only two other attempts to use national credit to develop our nation. The first was the Snowy Mountains Hydro-Electric Scheme. Chifley’s great legacy was his agenda for post-war reconstruction, notably the Snowy Mountains Scheme; the second was the Australian Industry Development Corporation.

The legislation instigating the Snowy Mountains Scheme clearly provided for its construction to be financed with national credit. The three sub-clauses relating to funding stated:

1. “The Authority shall have power to borrow money on overdraft from the Commonwealth Bank of

Australia upon the guarantee of the Treasurer.

2. “The Treasurer may, out of moneys appropriated by the Parliament for the purposes of this Act, make advances to the Authority of such amounts and upon such terms as he thinks fit.

3. “Except with the consent of the Treasurer, the Authority shall not have power to borrow money otherwise than in accordance with this section.”

In a 1949 parliamentary debate on the funding, Kim Beazley Snr for the ALP government made it clear that sub-clauses 2 and 3 reinforced 1, and that all funding was to come from credit Commonwealth Bank credit. This intention was one that fell victim to Chifley’s losing office, because it never happened. Prime Minister Robert Menzies and his successors ended up funding the entirety of the 25-year spending on the Snowy out of consolidated revenue.

In a 1952 parliamentary debate, the ALP’s Charles Morgan argued: “If a factory owner wishes to extend his factory, a farmer to erect new farm buildings, or a worker to raise a home, he does not do so from current income; he raises a loan and pledges his future to repay the capital so raised. Surely the same principle can be applied to national construction, particularly in relation to such important developmental works as the Snowy Mountains hydro-electric scheme, which is of paramount importance to Australia. Surely that scheme could be financed by national credit and the resources of the Commonwealth Bank, without recourse to current revenue. Work on the project could be speeded up considerably if such a project were adopted. We have been able to raise millions, and even billions, of pounds for war purposes. Why cannot we also raise money for peaceful purposes?”

The Australian Industry Development Corporation

There was one last interesting development toward the end of the Liberal Party’s rule, when the John Gorton-John McEwen government established a new public credit institution, the Australian Industry Development Corporation (AIDC), which was to be a vehicle for investing in value-adding industries. It was a reaction to the growth in raw-materials looting, led by Rio Tinto in Western Australia (an area also targeted for heavy financial speculation).

A paper presented to the Cabinet calculated the value difference in exporting bauxite vs. processed aluminium, in 1970 dollars:

- 1 million tonnes of bauxite, exported as the raw material, earned \$5 million;
- processed one step into alumina, it earned \$27 million;
- processed again into aluminium—\$125 million;
- and processed finally into aluminium products—\$600 million!

Gorton's critics in his own party warned that he was creating a tool for Jim Cairns to use when in government, to socialise Australia. Cairns said: "Money is created by the Reserve Bank and by the Trading Banks and for their own requirements; the Australian government may borrow from this created money, as it did during the Second World War. The Australian government in 1974 and 1975 could have used Treasury Bills to borrow from the Reserve Bank to help finance the building of pipelines, the operations of the AIDC and for other purposes and this, as far as possible, I was determined to bring about."

The AIDC was a vehicle created to express sovereignty, and, interestingly, Malcolm Fraser as defence minister, speaking on ABC radio about the AIDC, said: "Its role, broadly, is to assist Australian interests in marshalling financial resources, particularly from overseas, for major industrial development. It will direct itself to giving assistance in ways which will help Australian companies to gain or preserve a greater Australian participation that otherwise would be the case."

Cairns, as treasurer in the Whitlam government, sought to make full use of the AIDC, but it was ill-equipped, not empowered

to operate like a national bank.

From what I have elaborated, you can see the rich history we have had with national banking in our country.

The Commonwealth National Credit Bank

Today, we, the CEC, have written the Legislation for a new national bank called the Commonwealth National Credit Bank. That legislation, is written and ready to go. Its essential points are diagrammed in **Figs. 7 and 8**. It creates a true national bank, which draws upon the best features and ideas of King O'Malley. The torch of national banking and national credit has been handed to us, to implement in our country with Glass-Steagall and other necessary actions.

FIGURE 7

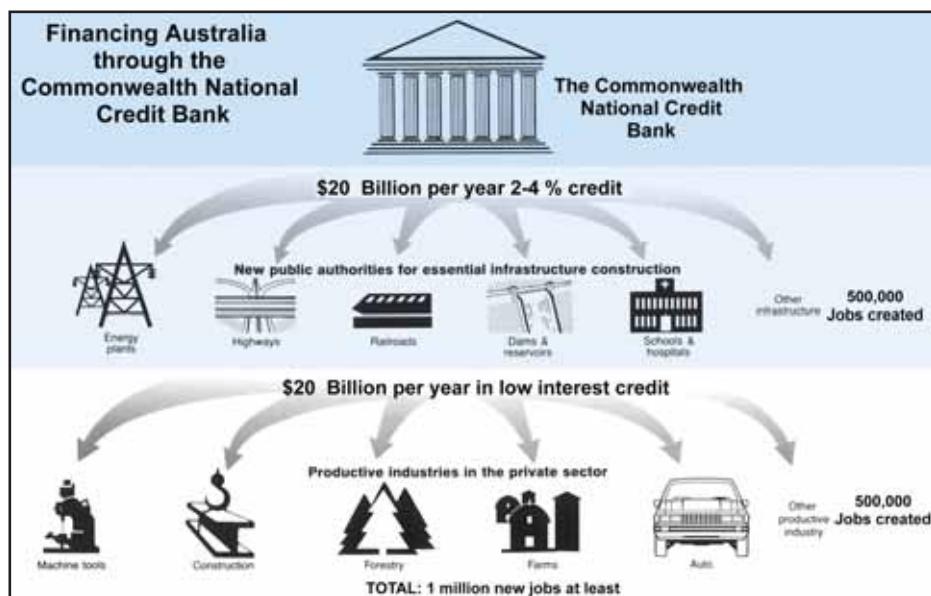
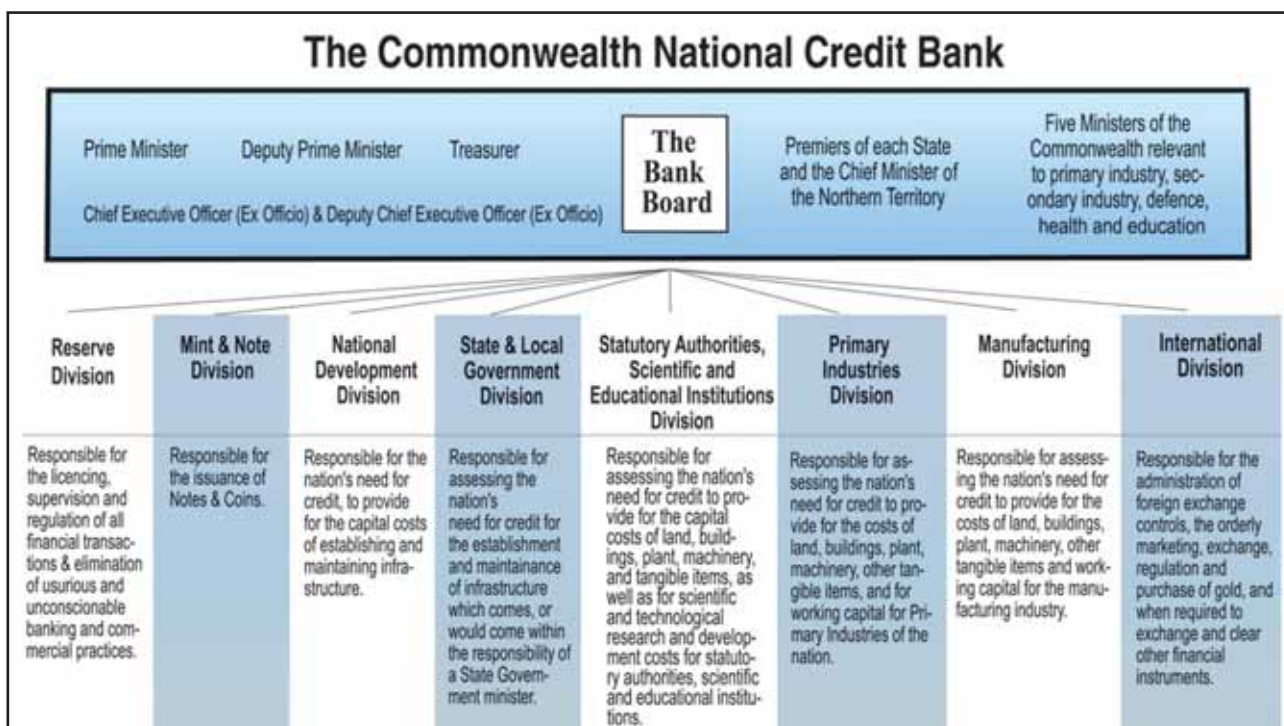


FIGURE 8



(Advertisement)

A Solution for Australia

Forewarned by Lyndon LaRouche's forecast of the now on-going financial crisis, the Citizens Electoral Council already over a decade ago drafted the basic program to save this nation. Contained in two publications, *What Australia Must Do to Survive the Depression* (below), and *The Infrastructure Road to Recovery* (right), it consists of a legislative program, and detailed proposals for large scale infrastructure projects; combined, these will unleash a genuine recovery in Australia's physical economy.

Legislation

1. A New National Bank

In 1994, following extensive discussions with Lyndon LaRouche, the CEC composed draft legislation to re-establish the Commonwealth Bank as a national bank, with expanded powers and functions along the lines originally envisaged by King O'Malley and then by John Curtin and Ben Chifley.

In September 2002, the CEC published a full page ad in *The Australian*, calling for a national bank, which was signed by over 600 Australian dignitaries including current and former federal, state and local elected officials, union and community leaders.



Top: The 2002 advertisement in *The Australian*, endorsed by 600 community leaders. Right: The CEC book which contains the draft legislation for a national bank.

2. A Debt Moratorium for Farms and Industries

Under globalisation, deregulation, and an unjust tax system, our hard-working farmers and industrial entrepreneurs have been savaged. They urgently need relief, in order that we can begin the process of the reconstruction of Australia's physical economy. Toward that end, the CEC drafted the *Productive Industries and Farms Domestic Debt Moratorium, Amelioration, and Restructuring Bill*.

Infrastructure

The CEC's Infrastructure Road to Recovery

Contents:

Let's Build Our Way Out of the Depression! p. 11

Great Water Projects p. 20

Water for Australia

- The Fitzroy River
- The Ord and Victoria Rivers
- The Daly, the Roper, and the Gulf of Carpentaria Rivers
- The Reid Scheme
- The Bradfield Scheme
- The Dawson Scheme
- The Burnett River
- The Clarence Scheme
- The Murray-Darling Basin
- Tasmania
- Melbourne
- Northwest Victoria
- Adelaide
- Finke River
- Esperance-Kalgoorlie Pipeline
- Perth/Wheat Belt



The New Citizen, April 2006, contains the CEC Special Report, "The Infrastructure Road to Recovery".

Conquering Our Salinity Problem p. 26

Australia Must Go Nuclear! p. 28

A Great Railway Boom p. 31

A World Leader In High-Speed Shipping p. 33

Conquering Space p. 36

Rebuilding the Health System p. 40

Education: Dummies Won't Develop Australia p. 42

**For more information see
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